

A PILOT PROGRAM OF LARGE SCALE
HOUSING MAINTENANCE PRIVATIZATION
IN THE CITY OF ALMATY

DESCRIPTION AND DOCUMENTS

KAZAKHSTAN

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ABSTRACT

Since independence, Kazakhstan has moved ahead with housing privatization. However, local governments still bear the burden of maintaining virtually the entire multi-family housing stock.

Working with the Ministry of Housing, USAID and ICMA have developed a pilot program to demonstrate housing maintenance by private companies in a housing complex of approximately 854 units. In June 1994, the Prime Minister signed a decree reserving one million tenge to help finance the pilot program.

This paper summarizes the pilot program in the city of Almaty from its inception to the contract award stage and outlines measures taken to develop emerging private maintenance contractors to build a free-enterprise property maintenance and management industry throughout the Republic of Kazakhstan.

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- EXHIBIT A FACT AND ATTITUDE SURVEY
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EXECUTIVE SUMMARY

For more than 60 sixty years the republic of Kazakhstan owned and operated all of the country's housing, thereby fulfilling the communist commitment to provide housing to all of the citizens. As Kazakhstan became an increasingly important piece of the Soviet empire, increasing numbers of people either were sent to Kazakhstan, as under the exile programs of Stalin, or chose to move there to work in the growing urban centers of commerce and military industries, such as Almaty. In order to accommodate the influx of people, a massive building program was undertaken that resulted in Almaty's becoming a community of multifamily, concrete, mid-rise buildings. With the introduction of Perestroika the construction came to a halt as the communist form of government shook, swayed, and finally fell.

With the fall of the communist government the former republics of the Soviet Union moved toward full independence. The shift brought tremendous social and economic pressures on the citizens of Kazakhstan and their emerging government. Reforms initiated by the new republic encouraged private-free enterprise activities and full participation by the citizens in implementing reforms. In housing, the reforms included the privatization of the housing stock and the related private management and maintenance activities. By the summer of 1994, 70 percent of the housing in Almaty had been privatized.

To demonstrate the process for privatizing the maintenance of housing, the republic of Kazakhstan enlisted the assistance of ICMA, which, under a contract with USAID, worked with the Republic and the city of Almaty to develop a pilot program to demonstrate the feasibility of providing better quality, lower-cost, private maintenance services secured through a publicly-advertised, open bidding process.

The pilot program received a significant boost when the republic of Kazakhstan provided a 1,000,000 tenge grant to help fund the five month demonstration. Months of meetings, training sessions, and intergovernmental negotiations culminated in an historic first for Kazakhstan when on July 18, 1994, the city of Almaty awarded the first private maintenance contract to a local contractor.

This paper describes the key events and measures taken to inform, educate, and train government officials, local business people, and residents in the many details and steps that must be created and implemented in order to accomplish a first-ever public solicitation and private contract award within Kazakhstan.

The paper is a frank discussion of the problems and successes in introducing new methods and procedures in an environment that often is distrustful of programs that promise improved living conditions, and bureaucrats hostile to changes that eventually will eliminate their jobs. The lessons learned and the materials developed under the pilot program will be of value to the privatization of housing and the introduction of procedures to encourage the development of a private

construction/maintenance industry.

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I. INTRODUCTION

A. BACKGROUND

Kazakhstan comprises an area of 1,059,750 square miles or approximately four times the size of Texas or five times the size of France. Located between the Caspian Sea and China, Kazakhstan enjoys a location that throughout history has made this an ideal place for settlement. The Kazakhs are a relatively new people, emerging as a distinct culture in the 15th century. Being of Mongol descent, they lived a nomadic lifestyle, establishing their traditional homeland along the ancient "silk route" in what is present day Kazakhstan. Rich in natural resources, Kazakhstan became an important settlement area for the Russians, who established their rule over the region in the 19th century, climaxing with the declaration of Kazakhstan as a republic in the former Soviet Union in 1936.

Under Soviet influence Kazakhstan became a principal natural resource supplier of copper, zinc, magnesium, tin, chromium, titanium, natural gas, and coal. Wheat, cotton and wool are the major agricultural exports. As a supplier of raw materials for the former Soviet Union, Kazakhstan did not develop an industrial base, a factor adversely affecting economic growth today.

B. HOUSING EXPANSION UNDER THE SOVIETS

With the advent of the Communist political systems, a significant change took place in housing in Kazakhstan, particularly in Almaty. The former Soviet Union provided housing free as a "social good." To meet the social objective and accommodate the rapid in-migration into the cities, the Soviets launched a tremendous housing development program whereby the central government designed the housing and provided the financing with construction being performed by the government, by housing cooperatives, or through the sponsorship of enterprises and ministries for their employees. The state-financed housing was multifamily, served by state-provided utilities including both hot and cold water service, sewer, electricity, gas, and hot water heat. The municipalities were assigned the responsibility of providing property management and maintenance services.

C. A DECLARATION OF INDEPENDENCE BRINGS HOUSING REFORM

In 1991, Kazakhstan declared its independence, establishing both an elected presidency and a parliament and affirming the capital as Alma-Ata (Almaty). Subject to approval by parliament, the president appoints the prime minister and ministers of foreign relations, defense, finance, and interior. Local head officials are also appointed by the president. In 1993, the unicameral Supreme Soviet approved a new constitution proclaiming Kazakhstan as an "independent, democratic, secular, and unitary state." The constitution specifically requires that the president speak Kazak fluently. Russian is officially the language of inter ethnic communication.

In the December 1991, presidential elections, President Nursultan Nazarbayev, a native Kazak and a former communist government official, ran unopposed and received 98 percent of the vote. President Nazarbayev is a moderate progressive who is rapidly establishing political and social reforms to further democratic principals and a market-oriented economy.

Kazakhstan has a higher per capita income than any of the former Soviet Central Asian Republics, but still far below that of the former Slavic or Baltic republics. With inflation running over 700 percent, it is difficult to report accurate figures on the economy. Currently, the minimum monthly pension is 100 tenge, about \$2.28 based on an exchange rate of 44 tenge to the dollar. Many senior government officials earn about 600 tenge (\$13.00) per month. Professional people earn an average of 200 tenge (\$4.35) per month.

Data provided by the city of Almaty indicated that currently rental income is paying less than 10 percent of the cost of operating the housing. It is these very same economic conditions causing the central government to move forward on reforms in an effort to shift the responsibility and the cost of providing and maintaining housing from the Republic to the private sector. The current economic crises notwithstanding, the central government continues to move forward with housing-reform programs. Gradually, the need to shift the true cost of maintaining the utility and maintenance services has become understood by the government officials. President Nazarbayev promulgated a new housing policy in 1993, wherein he called for the total privatization of housing by 1995. In April, 1994, utility costs were adjusted upward by 500-700 percent in an effort to begin to ratchet up the contributions for rent and services paid by the residents. Measures presently are being developed to establish a fair rental-allowance system that establishes a more realistic charge for services and also provides a level of subsidy for protected classes such as the low-income elderly and the disabled.

Among the reforms initiated by President Nazarbayev is the privatization of the housing stock, which was begun in 1989. By July, 1994, more than 70 percent of the housing had been privatized. It is expected that by the end of the summer, virtually the entire housing inventory will be under private, or enterprise ownership. In the beginning, homes and apartments were sold for a low cost, often arbitrarily determined. Over time, apartments were sold for a combination of coupons and cash and eventually given away to accelerate the process.

With privatization came the emergence of a housing rental market. Currently, government-controlled rents for a typical one-room apartment are between 11 tenge and 100 tenge per month. As Western firms come to Almaty to establish a base of commerce, a free-enterprise, private rental market is emerging with owners demanding rents of \$1,200 or more for a two-bedroom family housing unit. Western-style hotels are charging up to \$135 per night to cater to visiting business representatives.

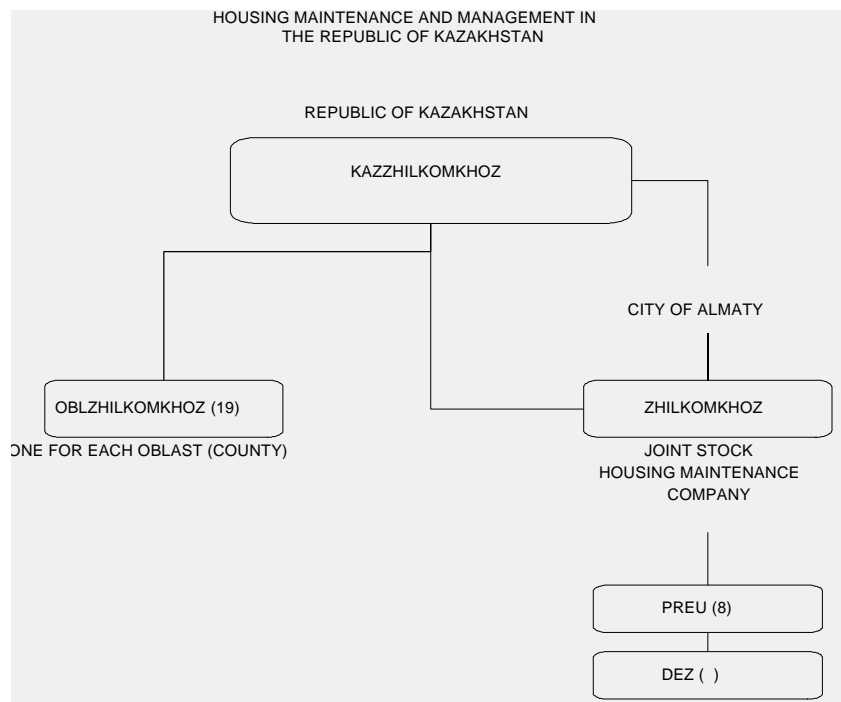
D. GOVERNMENT MAINTENANCE OF HOUSING

Prior to the recent housing reforms, all of the housing was owned and maintained by the government. Over 300,000 dwelling units in Almaty were owned by the republic of Kazakhstan and managed and maintained by the city of Almaty. To accomplish this enormous task, a maintenance and management bureaucracy was established within the city. For more than 60 years the governmental maintenance operations functioned at decreasing levels of effectiveness in trying to maintain the aging housing inventory.

In 1990, the housing maintenance functions were reorganized. At the Republic level, housing maintenance in the non-city areas is administered by the *Kazzhilkomkhoz*. The housing maintenance and management functions at the republic level are divided into 19 *oblzhilkomkhozs*, one for each *oblast* in Kazakhstan. The *Kazzhilkomkhoz* currently employs over 120,000 people. The reorganization granted cities the authority to establish a housing maintenance department within the city administrative structure. Under the reforms a joint stock housing maintenance company, *zhilkomkhoz*, was established for the city of Almaty and assigned the responsibility of the management and maintenance of the Almaty housing stock. The *zhilkomkhoz* reports to both the city of Almaty administration and the *Kazzhilkomkhoz*; however, the accountability is stronger to the city housing department than to the republican *Kazzhilkomkhoz*.

The city of Almaty *zhilkomkhoz* was divided into eight districts. The maintenance and management functions for each district were assigned to a divisional body called a *preu*. The *preu* then was divided into three or four work clusters, abbreviated from the Russian as *DEZ*. On an average, each *DEZ* has 250 - 300 apartment buildings under its supervision. Each *DEZ* has a governing body consisting of a director and a staff of ten: a senior manager, three accountants, two clerks assigned to passport control, and four maintenance laborers. The *preu* can draw on three construction crews with specialists trained to maintain the electrical service, the plumbing system, and all other equipment. Overall, 410 people on an average, are employed by a *preu*.

The *preu* is charged with a number of governmental record-keeping functions including the task of draft registration and passport control. Among their more traditional property management duties are the receipt and processing of maintenance service requests and evaluations of housing conditions through semiannual inspection of the major systems of every dwelling. The *preu* also is charged with the responsibility of establishing the tariff rates for the housing, which consists of the rent per square meter of living space, the rental charge for any commercial space, and the fee for city maintenance of the property. The revenue collected is not reserved for a specific dwelling, rather the income and expenses are used to establish the annual budget and are allocated on an as-needed basis throughout the fiscal year.



As discussed earlier, the rents paid by the tenants are very low; and for political reasons the fees for maintenance have not been adjusted to support the city services. Currently, all revenues received from dwelling rent, commercial rent, and maintenance fees pay for less than 10 percent of the actual cost to the city. As a result, the level of service has been minimal, and the city has had to provide a subsidy to provide even modest services. However, the city grant money is reserved for capital repairs; and inasmuch as capital repairs are not the function of the *DEZ*, all the grant money goes to the *preu*; and the *DEZ* is forced to operate on the limited income from the rent-service assessments.

The inability of the city to provide even basic services has led the residents to perform repairs and some remodeling on their units independent of the government system. In order to accomplish the repairs, the residents have had to rely on side contracts with the *DEZ* or with *DEZ* employees, seek out private individuals to perform the work, or, most often, buy and install the materials themselves.

Privatization introduced the concept and created a mechanism whereby residents could become owners of the dwelling units. While the transfer of ownership of the dwelling units was reasonably understood, no system had been established to transfer the common areas to private ownership or to set into place a mechanism for private maintenance of

the dwellings. As a result, multifamily dwellings have a mixture of privatized units and city owned rental units, with both types of residents paying the same fees for maintenance and utility services.

E. THE PILOT PROGRAM FOR LARGE-SCALE HOUSING MAINTENANCE
PRIVATIZATION IN THE CITY OF ALMATY

In November 1992, the U.S. Agency for International Development, (USAID), signed a Memorandum of Understanding with the Republic of Kazakhstan under which USAID agreed to provide technical assistance in housing policy and administration. The goal of this technical assistance is to introduce private market techniques to facilitate the creation of a system for financing housing, the private development of housing and the creation of a market based free enterprise system of contracting for property maintenance. As part of this assistance, it was agreed to undertake a pilot project in housing maintenance privatization. Almaty was selected as the site for this effort, and a steering committee consisting of representatives of the republic of Kazakhstan, the city of Almaty and ICMA was established to undertake the planning for the privatization of maintenance program.

F. PILOT PROGRAM GOAL

The goal of the pilot program is to establish and test a model system of private enterprise and open market procedures for the competitive bidding, award, and monitoring of housing maintenance contracts.

G. PILOT PROGRAM OBJECTIVES

There are two objectives to the pilot program: first, to demonstrate the feasibility of conducting a fair competition to select a qualified private business to provide maintenance services for residential buildings. Second, to demonstrate that a private firm can provide better quality services at the same or lower cost than that provided by the city. It is further hoped that the pilot program will provide the necessary experience to the governments and to the community as a whole, to enable them to apply the techniques used in awarding the first maintenance contract to other tasks that can be performed by emerging private sector businesses. The principle goal of the privatization effort is to establish a free market system whereby associations of privatized owners are successfully partnered with private maintenance contractors in a mutually beneficial arrangement such that over time, the owners will come to demand better maintenance and in so doing establish a political base to support higher fees for housing services. The following is a description of the program elements that have been accomplished with the help of a long term resident advisor, and a series of short-term resident advisors.

II. RESEARCH AND DEVELOPMENT PHASE

A. ESTABLISHMENT OF THE PILOT PROGRAM STEERING COMMITTEE

In November, 1993, a committee was formed to organize and implement the pilot demonstration. Among those serving on the committee are officials from the republic's newly organized Ministry of Construction, Housing, and Territorial Development; the city of Almaty; and the ICMA resident advisors. The group is chaired by the republic's Deputy Housing Minister, Eric Ozoling. The committee developed a work plan, and after conducting a survey of a number of apartment complexes, a pilot demonstration site was selected.

B. PILOT PROGRAM SITE SELECTION

The pilot demonstration site is located on Lenin Prospekt and Hadshi-Mukhana in the city of Almaty. The apartment cluster selected for the pilot program originally was planned to include 1,103 apartments and five commercial units in 20 mid-rise buildings. Four buildings consist of 4 stories, 12 consist of 5 stories, and 4 consist of 9 stories, the latter being the only buildings to have elevators. As will be discussed later, the project was reduced to 15 buildings consisting of 835 dwelling units.

The site was chosen for a variety of reasons. Firstly, the site offered a mixture of building construction types including pre-cast concrete, brick and stucco, and a variety of panelized wall treatments such as limestone and concrete. Secondly, the buildings were constructed between 1965 and 1979, thereby providing a sample of different construction periods as well as an opportunity to analyze the need for capital repairs and replacements to the structures and their systems. Thirdly, the site originally had been constructed as a housing facility for officials of the Kazakhstani Communist Party Central Committee, whose headquarters were located close by. This resulted in a campus that enjoys more open space and amenities such as paved parking and a few garages, not found in other apartment communities. Lastly, the site was selected because the residents, as reported in a fact and attitude survey conducted by ICMA, supported the goals of the pilot program. (see Exhibit A)

One of the buildings is owned by the Ministry of Defense, and because of some difficulty in gaining cooperation for the pilot demonstration, was eliminated from the demonstration. Another building, not contiguous to the others, was dropped from the pilot program to facilitate the bidding and monitoring of the maintenance contract. Four other buildings owned by special cooperatives or government entities were eliminated by the steering committee early in the program planning. The remaining buildings are owner-occupied or tenant-occupied. The most current data available indicates that 70 percent of the quarter has been privatized.

C. EXPERIENCE IN OTHER REPUBLICS

The steering committee reviewed the work plans and experience of the privatization of housing in Moscow, and a delegation of local

government officials and ICMA advisors traveled there to gain further information. The committee and the resident advisors of ICMA are indebted to The Urban Institute and its resident advisor in Moscow, Angus Olsen, for their assistance and counsel in establishing the pilot program in Kazakhstan. Borrowing heavily from the Moscow experience, a draft Request for Proposals and a Construction Contract document were prepared by ICMA resident advisors.

The steering committee invited Margarita Pinegina from the Institute of Housing Economy in Moscow to come to Almaty and conduct a seminar in property-management techniques. Although the Moscow demonstration included both property management and property maintenance, it was decided that the scope of the demonstration in Kazakhstan would be limited to property maintenance activities only. Although the vast majority of the pilot program residential units have been privatized, the mechanism for transferring ownership of the public portions of the buildings to the residents has not been established. Because the common areas remain under the control and maintenance responsibility of the city of Almaty, it was determined that Valentina Reznikova, the vice president of Zhilkomkhoz, (Joint Stock Housing Maintenance Operation Department of the City of Almaty) would serve as "owner" for the purposes of the demonstration. Her first task was to establish a maintenance budget for the pilot program using actual 1994 maintenance cost data, annualized and adjusted for inflation.

D. RESIDENT FACT AND ATTITUDE SURVEY

In mid-April, 1994, a survey of 700 families residing in the pilot program apartments was conducted by BRIF, an Almaty-based professional survey organization. Residents were asked a number of questions which may be classified into the following groupings:

- * characteristics of their dwellings
- * sociodemographic characteristics of respondents
- * occurrences of maintenance failures in dwelling units and common areas
- * maintenance problems as seen from the resident's viewpoint
- * willingness of residents to pay for better maintenance

The survey data collected provided a base on the perceived condition of the property and the residents' attitudes before the commencement of the pilot program. Updating the data during the execution phase of the program will help in reporting any changes in the residents' perception of their homes and their community as a result of the pilot program. An analysis of the survey results indicates the following:

1. The pilot program area is considered typical of the Almaty housing inventory in terms of building and construction type and size of dwelling units.
2. Various types of maintenance problems have been occurring. As many as 44 percent of the respondents reported that there were no lights in the entryways for an entire month; 65.8

percent reported trash and garbage in the entryway; 75.5 percent reported failure to clean the refuse chutes; and 37.9 percent reported unpleasant odors in the stairways.

Apartment-related problems most frequently reported were the occurrences of breaks in the heating and the hot water supply systems with only 8.1 percent and 13.2 percent of the respondents reporting that these problems had not occurred within the previous month of the survey.

3. The following maintenance problems are considered more important by the residents: everyday cleaning, current repairs, refuse disposal, and plumbing system repairs. The data analysis reveals that there is a direct relationship between what people consider to be a problem and what they are willing to pay to have corrected, although the degree of willingness to pay is less than the level of complaint about the problems. The survey also demonstrated a stronger willingness to pay as the income of the resident household increased.
4. A sub-sample was made of residents who reported having recently requested assistance from the owner in correcting a defect. Only 19.5 percent of this special group had the repairs corrected in the specified time. The sub-sample respondents reported that 66 percent were strongly dissatisfied, and another 24.4 percent were not satisfied with the service response.

III. FINANCING THE PILOT PROGRAM

A. THE FY 1994 MAINTENANCE BUDGET

The major financing of the pilot program came from the fees paid by the residents and the commercial rents collected by the city from stores and businesses located on the project site. A one million tenge grant from the republic provided supplemental financing. Throughout the project, ICMA was unable to gain insight into the process used by the Republic in establishing the budget and making the recommendation that a grant should be made to assist the pilot program. ICMA was able to obtain from the vice president of the Almaty *Zhilkomkhoz*, Reznikova, a copy of the present budget for the project area. That budget is as follows:

INCOME

Square meter rent based on 55,010 sq.m of usable living area.

5-84 tenge per year

0-49 tenge per month

Residential rents including services	99,018	
Commercial rents	42,496	
TOTAL RESIDENT CONTRIBUTIONS		141,514
Compensation from utility providers	179,552	
City subsidy for housing	825,635	
TOTAL SUBSIDIES		1,005,187
TOTAL INCOME		1,146,701 tenge

CURRENT REPAIR EXPENSES

Water supply system and heating system, plumbing and electrical systems maintenance (does not include utility consumption)	339,529	
Repairs to roof, stairways, windows, doors, cleaning of flues	113,927	
TOTAL CURRENT REPAIR		453,456

HOUSEKEEPING

Waste removal	121,335	
Lights	8,102	
Uniform, tools, labor protection	6,344	
Disinfecting	3,456	
Walkway cleaning	17,264	
TOTAL HOUSEKEEPING		156,521

PERSONNEL COSTS	463,320
ADMINISTRATION AND MANAGEMENT COSTS	68,640
Miscellaneous	4,764

TOTAL MAINTENANCE EXPENSE (1,146,701) tenge

The following maintenance and capital repairs are budgeted for 1994

ELEVATOR MAINTENANCE	111,120
CAPITAL REPAIRS	300,000

In reviewing the above budget one would assume that the cost for the five month pilot project would be approximately five-twelfths (477,792 tenge) of the total budget. However, the pilot program scope of work required during the brief pilot program term limits the tasks to the custodial and minor repair duties thereby eliminating the capital repairs, elevator maintenance, waste removal and the system repairs noted under "current repair," from the above budget, thereby making a budget comparison difficult. Establishing the budget is further frustrated by the fact that the scope of work specifically addresses the tasks that the DEZ is not now doing, or in the case of grounds maintenance, is doing infrequently and poorly. The evaluation of the total budget for the project is also complicated by the differing opinions of the various government officials who have sent confusing messages to the consultants and the contractors by saying that there are three sources of funding for the demonstration, with the majority of funding coming from sources other than the one million tenge grant from the republic. This would lead one to assume that at a minimum, the total budget would be in excess of two million tenge. Again, if you examine the budget, you will discover that the amount provided by resident contributions is 141,514 tenge per year, or 58,964 for the five month program. Using the statements of the officials, the maximum budget would be something under twice the amount identified as the resident contributions, or 283,028. As will be discovered later in this report, no bids came in for less than 735,006, and that bidder was ridiculed for submitting a bid that was so low as to raise the suspicions of the republic and city officials.

B. GRANT FROM THE REPUBLIC OF KAZAKHSTAN

In the spring of 1994, the project was delayed due to a shortfall between scheduled income from the pilot properties themselves and the projected minimum budget for basic maintenance services. Further complicating the budget concerns was the inability or unwillingness of the city to provide a grant to make up for the shortfall. The Mayor of Almaty and the Minister of Housing petitioned the Cabinet of Ministers to help fund the project.

In June, 1994, Prime Minister Sergei Tereschenko announced that a grant in the amount of 1,000,000 tenge from the reserve fund to the Cabinet Ministers of the Republic of Kazakhstan had been allocated to the Joint Stock Housing Maintenance Operation Department Company (Zhilkomkhoz) to finance a demonstration of the Housing Maintenance Privatization Demonstration Project. This important commitment on the part of the Republic prompted ICMA to send the author, Michael E. Kucharzak, on a six-week assignment to move the pilot program through the bidding and contract award phases.

IV. PROCUREMENT PHASE

A. REQUEST FOR PROPOSALS

On June 17, 1994, the republic Ministry of Construction, Housing and Territorial Development published an official notice advertising the pilot program and inviting persons interested in submitting housing-maintenance proposals to call the republic or the city of Almaty for more information. An informational meeting was planned for June 22, to brief prospective bidders on the pilot program and the bidding process.

In preparing for the meeting, it became apparent that there were differing understandings as to how the bidding process was to proceed. The documents borrowed from Moscow, only slightly modified for use in Almaty, were interpreted by the republic to facilitate a two-phase bid-selection process. Contractors who attended the informational briefing were to complete a proposal that consisted of two parts: (1) a technical proposal whereby the contractors would provide information about their business and contracting experience and (2) a cost proposal. The republic intended to require that all technical proposal documents be submitted by prospective bidders three calendar days after the publication of the notice. The technical proposals then would be submitted to the steering committee, which would review the qualifications and rank the technical proposals into two categories: (1) those that appeared to have sufficient experience to have a reasonable chance of completing the contract; and, (2) a discard category of proposals from contractors, who, in the opinion of the committee, were found to be lacking in experience. Bidders who were determined to be qualified under this process would be invited to a second meeting, which would be more akin to a true pre-bid meeting during which instructions on preparing the cost proposal and a site visit would be undertaken.

The process was troublesome for several reasons but primarily because the process heavily favored experienced contractors who could demonstrate that they had the employees, equipment, experience, and financial stability to undertake the contract. Another vexing concern was the knowledge that the director of *Zhilkomkhoz*, the city agency currently charged with the property maintenance functions, and the owner of the non-privatized portions of the project, had stated his intention to submit a bid proposal as a maintenance contractor. A number of events further complicated the appearance of fairness in the process.

One was the decision, as contained in the Prime Minister's decree, to give the 1,000,000 tenge grant for the pilot project to the director of *Zhilkomkhoz* to administer. Another concern was the chairman of the steering committee's selection of the vice president of *Zhilkomkhoz* to serve as the "owner" for purposes of the demonstration. Because the vice president answers to the director of *Zhilkomkhoz*, it would be very difficult to preserve an appearance of fairness should the director of *Zhilkomkhoz* be awarded the contract due, in part, to a selection process skewed to favor bidders who had maintenance experience, equipment, employees, and financial resources that, with the exception of the city department and perhaps a few larger contractors, were nonexistent.

The pilot program suffered a major setback when the newspaper was unable to publish the official meeting notice as scheduled, which delayed the publication for four days. This may not seem critical, but for an incipient public bidding process, any time lost may mean a loss of qualified bidders who would need extra training and consideration in order to fulfill the program's objectives of a fair competition to select a private maintenance contractor. The delay required a shift in the project schedule as follows:

Newspaper notice to run	Thursday	June 16
Informational meeting for interested bidders	Wednesday	June 22
Applications close	Friday	June 24
Meeting to review questions of prospective bidders	Monday	June 27
Proposals due back	Monday	July 4
Pre-bid conference	Wednesday	July 6
Bids returned	Friday	July 15
Contract awarded	Monday	July 18

This was far from the best schedule for an initial public bidding process, but it was the tightest schedule that could have been offered and still be reasonably assured that responsive bids would be received. Furthermore, the schedule respected the republic-established starting date for the contract: August 1, 1994.

The delay in the program enabled the ICMA resident advisors to begin work on a training guide to assist first-time contractors in understanding the bidding process. There was a consensus that most contractors, even the locally experienced, would benefit by a basic seminar on cost-estimating and responding to a call for bids.

The time gained by the delay was further used to provide a careful

review of the translations of the Moscow documents as modified for the Almaty demonstration. In so doing, it was determined that the two-step process for contractor selection envisioned earlier, and apparently modeled after the early Moscow experience, may prove to be detrimental to the goal of attracting a successful private contractor to provide the maintenance services. The lack of a prescriptive scope of work also may lead neophyte contractors into submitting a bid that is destined to cause them to fall short of performance expectations, lose a substantial amount of money, or both. The request for bid and model contract documents already had undergone a review by the steering committee, and the ICMA staff was uncomfortable with making major changes at this point in the program. However, the desire to simplify the completion of the bidding documents and the need to limit the scope of work to what realistically could be expected of a first-time contract having a five-month duration justified a complete review of the bidding documents. This turned into a major task requiring numerous meetings with the central government representatives on the steering committee. Respecting their desire to have a performance-based scope of work, the parties agreed on the following:

1. The contractor would not be responsible for any repairs inside of the dwelling units. As repair requests were received, they would be referred to the owner for processing. In the case of rental units, that would be the DEZ. In privatized units, it would be the unit owner who, in turn, either could have the contractor do the repairs outside of the major contract (no change order, private arrangements for compensation) or contract with the DEZ or another private contractor.
2. Heating, plumbing, electrical and elevator repair work were not included in the scope of services of the contract. Presently, repairs to these systems are handled by specialists. If the repairs are outside of the building, one set of services responds. If inside, the DEZ dispatches specialists authorized to repair the systems.
3. The roofing system, the exterior facade, and the balconies were outside of the scope of service of the contract. Again, the owner could request that the contractor provide assistance either in the form of advice or direct service repair. Any work performed by the contractor to the above-mentioned systems would be outside of the scope of work of the contract and would have to be negotiated privately.
4. Exterior doors and windows inside the common stairways would be included in the scope of services.
5. Emergency response. The owner must post and provide emergency telephone numbers for the residents' use. When the contractor receives notification of an emergency situation, he/she should take immediate measures to abate the problem (usually shutting off the utility) and notifying the owner promptly to obtain further direction.

6. Selective preventative maintenance. The contractor regularly must inspect and survey the building systems, components and grounds and advise the owner of any matters requiring attention. If the owner chose to utilize the contractor in correcting the defects, active or latent, the extra work and compensation would be outside of the contract.

Having come to some agreement on the limits of the contractors' performance, we were able to define a scope of work for the contract that read as follows:

1. Current repair. This includes any ordinary repair to buildings and associated systems, structures, and grounds required to keep buildings in good working order. Current repair includes replacement of broken windows and repair or replacement of stairs, lighting fixtures, and railings in the common areas of the buildings. Current repair does not include capital repair or extraordinary repair maintenance such as the replacement of elevators or replacement of major building components.
2. Emergencies. An emergency is any repair that poses an immediate threat to the safety and well-being of the residents or the general public including any hazardous condition inside or outside of the buildings. An example of an emergency condition is a gas leak in a flat or a building.
3. Refuse and litter removal. The contractor would be responsible for assuring that refuse and litter are properly stored in the areas designated for city pick-up. In addition, on a regularly scheduled basis, the contractor would clean and disinfect the refuse disposal equipment including chutes, bins, and refuse containers.
4. Janitorial service. The contractor would be responsible for performing routine janitorial tasks such as washing windows in stairways, sweeping and washing the stairways and elevator cabs, and replacing light bulbs in lighting fixtures in the stairways and other common areas.
5. Grounds keeping. This includes the maintenance of an attractive appearance of the grounds through regular cleaning and maintaining of any plantings, playground equipment, walkways and parking areas and, where necessary, performance of seasonal tasks such as leaf removal, snow and ice removal, pruning, and lawn maintenance.
6. Selective preventative maintenance. The contractor would be responsible for preventative maintenance of the building and its major system components, as agreed upon with the owner. Preventative maintenance is the performance of regularly scheduled maintenance to prevent and decrease the need for

more costly repairs.

It was further agreed that the contractor would not be responsible for the following:

Capital repairs. Capital repairs are major or extraordinary repairs such as installation or replacement of elevators, replacement of roofs, or installation of new heating systems. (The contractor shall assist the owner by promptly reporting conditions that require capital repair. Suggestions from the contractor on courses of action to repair or replace capital items were to be encouraged)

Repairs inside of apartments

Repairs to heating, plumbing and electrical systems, roofs, elevators, building facades, or balconies

Tenant-turnover repair

Dispatch of DEZ maintenance employees

Contracts for utilities or other communal services

The calculation or collection of rent, utility charges, or communal service fees

Passport control

Draft registration

Leasing of vacant units

B. MEASURES TAKEN TO ASSURE PRIVATE CONTRACTOR PARTICIPATION

Concerned that the private sector would not respond to the official notice published by the republic, the ICMA office developed a list of all contractor businesses that could be identified by researching ads placed in the newspaper and by contacting other agencies that recently had contracted for some maintenance service. The research resulted in 15 names and telephone numbers. Four numbers proved incorrect or disconnected, and 11 contractors were contacted by the staff and encouraged to participate in the scheduled informational meeting.

C. INFORMATIONAL MEETING FOR PROSPECTIVE BIDDERS

The scheduled meeting to provide basic information on the pilot program and the bidding process was attended by four contractors. Although specifically invited, no one from the city maintenance department attended the meeting. The staff from the Ministry of Construction provided the background information and explained that the

bidding documents were being finalized and would be delivered to their place of business. The questions asked by the contractors indicated a higher level of understanding about the bidding process than had been expected. The contractors expressed some concern as to how the selection of the contractor would be made. In particular, they were concerned if the experience of the contractor and the ability to perform the scope of work would be determined prior to selection. The contractors, working with a brief summary of the scope of work taken from the model contract, asked if grounds-keeping duties also required the maintenance of the playgrounds. The ministry officials shared their performance approach to the bidding process by stating that 1,000,000 tenge had been reserved for the pilot program. They stated that in preparing their bid, the contractors should determine how they would approach the requirements of the scope of work for the money available. They further explained that the proposals submitted would be reviewed by the steering committee, which would review the proposed work plan and budget and select the contractor determined by the committee to have submitted the best work plan for the lowest cost.

This disclosure of the 1,000,000 tenge grant, with no discussion of additional sums of money to be provided, was contrary to what had been discussed earlier, that being the statements made by republican officials that the 1,000,000 tenge grant was designed to pay only for less than half of the cost of the pilot program and that the majority of the needed funds would come from the tenant service fees and the commercial rents collected by the city. The discussion of funding then led to a discussion of contract progress payments. Because of the economic problems and the runaway inflation, the contractors asked if the contract could be paid in U.S. dollars. They were assured that a mechanism for adjusting for inflation would be included in the contract documents but that with a substantial amount of money coming from the Republic and the city, the contract would have to be paid in the currency of Kazakhstan. The contractors left the meeting with expressions of interest and a willingness to further participate in the program.

D. A REDESIGN OF THE BIDDING DOCUMENTS

Having met some of the prospective bidders and heard their concerns, the ICMA staff decided that the performance approach to the bidding required bid-submission documents that were easy to understand and complete and that some efforts must be made to make the bidding paperwork less intimidating. It also was decided that the contemplated contractor training should be held soon after the pre-bid meeting, and the seminar should focus on the cost-estimating process and the development of a work plan.

In restructuring the bid-submission documents, efforts were made to abandon the free-form response approach of the current documents, which favored bidders experienced in writing company resumes and unstructured work plans and cost estimates. The technical proposal is called a Contractor's Statement of Qualifications and uses a

questionnaire format to help guide the contractor in providing the requested information (Exhibit B). Care was taken to limit the amount of response space for areas such as contract experience so that newer, less experienced contractors would not become intimidated by a large space reserved for their response and perhaps choose not to complete the bid documents. The use of a structured response instrument also would facilitate a fair and prompt review of the submitted documents. The provision of a bid-response document for the work plan and budget led the staff to develop a Contractors Work Plan and Budget packet that reserved one worksheet for each of the six areas contained in the scope-of-work sections of the Request for Proposals and Model Contract documents. The worksheets were accompanied by a page of instructions and a bid-summary form (Exhibit C). The concern regarding the bidder's packet being too intimidating was addressed by having each of the two forms that the contractor must complete and return as his/her bid printed on different colored paper. This made reference to the documents in the text and in the training sessions easier and left the remaining materials contained in the bidder's package easily identifiable as educational and informational material provided for the contractor's reading (Exhibit D).

The concerns regarding compensation expressed by the contractors led the staff to establish a procedure for adjusting the contract price for inflation and the development of a system of performing progress inspections and contract progress payments.

The creation of a mechanism to adjust the value of the contract over the life of the contract resulted in contract language which required that all payments to the contractor be adjusted for fluctuations in the value of the tenge/dollar exchange rate against a constant established as the exchange rate at the commencement of the contract.

In order to facilitate the progress inspection and resulting compensation requirements of the contract, a Property Inspection Form was developed (Exhibit E). The form utilizes a table format to set forth the six work areas contained in the scope of work and requires the person conducting the site inspection to rank the observed conditions for each work area as satisfactory, unsatisfactory, or outstanding. A numerical value was attached to each score, and the threshold and ceiling score for each of the three rating classifications was established. The inspection form would be used by the steering committee member appointed to act as owner and by the ICMA staff to conduct a weekly inspection of the pilot program site. The aggregate numeric weekly scores assigned by the owner would be used to compute a performance score for a given month. Contractors earning a satisfactory score would be entitled to receive the monthly prorated share of compensation as set forth in the contract. A outstanding score would entitle the contractor to the prorated monthly share of the contract but would also provide a 10 percent performance bonus. It was expected that this monetary benefit would provide sufficient incentive for the contractor to continue to take extra measures to improve the livability and appearance of the site. An unsatisfactory score would require that the owner state in writing the conditions that led to the unsatisfactory

rating and provide specific measures that must be undertaken by the contractor within a prescribed time period in order to have the sanction lifted. Continued unsatisfactory performance would result in disciplinary actions up to and including contract termination.

The small turnout of contractors at the informational meeting led ICMA to contract for a paid display advertisement in the Caravan newspaper intended not only to solicit additional contractor interest but also to set forth the agreed upon project schedule. The ad ran on the Friday before the three-day Fourth of July weekend, and by Tuesday, contractors were calling and stopping in the ICMA offices to gain more information and to pick-up bid proposal packets.

E. A MAJOR SETBACK IN THE PROJECT LOOMS

The day before the pre-bid conference, the Vice Minister of Housing and the chairman of the project's steering committee, returned from a one-month trip to America where he participated in a workshop on housing and land planning issues. A meeting was scheduled to brief the vice minister and the members of the steering committee on the process of conducting the pre-bid conference scheduled for the next day. During the meeting the vice minister indicated that he wanted to be certain that the contractors were told at the pre-bid conference that the bid-review team would require that the contractors demonstrate that they had sufficient experience, equipment, employees, and financial support to undertake the maintenance contract. The statement caused us to realize how much had been accomplished and changed during the previous four weeks. We then found ourselves having to use the meeting to bring the chairman up to speed on the work that had been accomplished during his time out of the country. At the end of the meeting the vice minister directly addressed the vice president of the *Zhilkomkhoz* and invited her organization, the public body which currently serves as municipal landlord over the entire housing stock and the agency that is charged with the responsibility for all of the property maintenance, to bid on the pilot program maintenance contract.

Immediately following the meeting, the ICMA resident advisors met privately with the vice minister and asked him to contact the president of the *Zhilkomkhoz* and determine his intentions on bidding on the contract. The Vice Minister said that he did not expect the president personally to bid, but he believed that a subordinate to the president, a director of the district *preu*, may submit a bid, which he believed would be acceptable. The resident advisor stressed the goal of the project to encourage private businesses to assume responsibility for the maintenance of the housing inventory. He strongly stated that if the program took on the appearance of a setup whereby the city-appointed agency was selected as the contractor to continue to perform the maintenance with the only difference resulting from the pilot program being that the agency now had access to the 1,000,000 tenge grant, then the ICMA would remove its support from the pilot program and encourage USAID to do the same. Although the advisors left with the request that we learn of the intentions of the city maintenance organization, no answer was ever given prior to bid-opening day.

F. THE PRE-BID CONFERENCE

The pre-bid conference was held on July 6, 1994. Arrangements were made to have the conference and the contractor training to be video-recorded. Ten contractors including the city maintenance department attended the briefing. The Vice Minister of Housing provided a history of the pilot program. Using overhead transparencies in the Russian language and an interpreter, Mr. Kucharzak provided a step-by-step walk-through of the bidder's packet and the process of completing and submitting a bid.

The questions raised by the contractors dealt with a need for further assurance that proposals from private contractors indeed were welcomed. One question prompted a review of the procedure of presenting the bid proposal in a sealed envelope to be delivered to the ICMA offices no later than noon on Friday, July 15. Participant feedback and the limited number of questions confirmed that the materials had been presented at a level readily understood by the attendees.

A disturbing turn was taken when immediately after the formal presentation, the Vice Minister of Housing, along with the president of the city's maintenance department, confronted the ICMA resident advisors with the suggestion that the scope of work be rewritten to require more technical duties such as system repairs and the mandatory correction of defects within the apartments. The resident advisors told the Vice Minister that it was too late to change the scope of services for a contract that had just undergone a pre-bid conference. It was further emphasized that the contract, including the scope of work, had been developed in close cooperation with his staff and a majority of the steering committee members. The president of the city's maintenance department challenged the scope of services as being so simplistic that a child could do the tasks. He went on to say that his agency had technicians and equipment to perform electrical, plumbing, and heating repairs and suggested that the contractor also be expected to have the same resources and perform the same repairs. The advisors responded with an explanation of the reasons for limiting the scope of work enumerating the short term of the contract, the unknown budget, and the lack of current survey data on the conditions of the apartment interiors. The prime reason for limiting the scope was the five-month term of the pilot program. The unknowns of the project easily could result in a contractor's unknowingly entering into a contract requiring the correction of years of defects that had accumulated within the dwelling units. This could cause an unsuspecting contractor to go bankrupt. The comments regarding the substantial amount of equipment and technical expertise possessed by the city agency also were interpreted by the advisors as conditions that could not be met outside of the governmental maintenance system. The advisors again stressed that to require other contractors to demonstrate similar capabilities would be tantamount to a direct assignment of the contract to the existing agency responsible for providing maintenance with the only benefit being that the agency would now have another 1,000,000 tenge in their budget. The advisors said that this would be unacceptable to the agencies that had expended a great deal of time and money to provide a fair demonstration of the ability of the private sector to perform tasks

currently performed by a governmental monopoly.

G. COST-ESTIMATING SEMINAR

On July 8, 1994, a cost-estimating seminar was conducted by ICMA for any contractors interested in learning more about the process of developing detailed cost estimates. Five contractors attended the seminar, which provided a step-by-step walk-through of the cost-estimating process using the stair-washing requirement from the janitorial portion of the scope of work as the example of the cost-estimating process. The participants were provided with sample cost-estimator "takeoff sheets" and were shown how to calculate overhead and profit. During the seminar the contractors were offered a number of record-keeping and business organizational techniques designed to help a prospective bidder approach the bid submission in an organized manner, thereby reducing the risk of forgetting a requirement and perhaps losing money or the bid itself. The seminar assisted the contractors in understanding the detailed steps necessary in breaking a simple task such as stairway-washing into the various components of materials, labor, equipment, and, finally, overhead and profit.

The seminar was video-recorded, and samples of the presentation materials are included as Exhibit F.

H. MEETING WITH RESIDENTS

On the evening before the bid-submission day, a meeting was held at the project site to inform the residents of the progress being made on the project and to encourage their involvement. The meeting was promoted by posting bright pink flyers on the entry doors to the apartments. Colored paper typically is not used in Kazakhstan, and the bright notices immediately were read by the residents who were just returning home from work. Interest in the project was further enhanced when the local television station aired a segment on a popular television program, "Business Class," which features business news in the viewing area. The program aired on Tuesday night and on Wednesday morning. Some concern was felt when on the day of the meeting, a dry spell was broken with a hard rain that lasted most of the day. Just before the meeting time, the weather turned sunny and warm; and as the presenters arrived at the summer stage area on the project site, clusters of residents were walking the footpaths leading to the meeting site.

The vice mayor of the city of Almaty attended along with representatives of the city maintenance department, staff of the ministry of housing, and the ICMA staff and advisor working on the program. The approximately 200 residents gathered heard the Vice Minister of Housing provide a summary of the pilot project and its importance to the future of housing in Almaty. He went on to stress the importance of the residents to see themselves as owners and to take an active role in the demonstration. Questions were entertained, and a number of people wanted further assurance that the pilot project would not cost them additional money. The vice minister explained the goal of the republic to have all of the housing privatized and under private

management by 1995. He emphasized that the pilot program has a special grant to help defer the cost of the experiment but that eventually, residents would have to pay more toward their housing. He stated that if better service were received, they would be more willing to pay more. This seemed to be understood and accepted by the residents. Several residents spoke about the problems they were having with the dogs that had taken over the playgrounds, disturbing their sleep. They acknowledged the neglect and lack of maintenance that over the years had changed the once beautiful community. Short speeches were made by residents who challenged the project community to reflect on their lifestyle that had littered and damaged their home environment. One resident lamented that they were so callused to their way of living that people had to come from America to help them learn how to live and to respect property. The vice minister stressed that we were not trying to introduce the American lifestyle into their lives but rather were there to help them prepare for more responsibility and accountability for themselves as owners and for their community. He emphasized that presently most owned their apartment homes and that eventually the ownership of the entire complex would be granted to them. Some residents called for the legal mechanism to give them the status of owner to act on their own behalf. The Vice Minister explained the work underway and that which still had to be done, giving special emphasis to the need for a rental-allowance system that took into consideration the financial pressures on special-need populations.

Kucharzak addressed the group and encouraged their participation in the pilot program. He explained that once the contractor had been selected, another meeting would be held to introduce the contractor to the residents. He went on to say that instructions would be provided as to how the residents were to report repairs and to help evaluate the performance of the contractor. In emphasizing the remarks made earlier by the vice minister and the residents, Kucharzak encouraged the residents to organize themselves and to select spokespersons to take an active role in the project. He offered the assistance of the ICMA staff in helping them form a resident council and participate directly in the management of the pilot program.

The meeting ended with refreshments and informal discussions on the project.

I. BID-SUBMISSION DAY

By noon on July 15, five bids were received at the ICMA offices. One contractor decided to remain for the 12:15 opening, and the others preferred to return later. The ICMA staff and the contractor were joined by the Vice Minister of Housing. At 12:07 a representative from the city DEZ brought in a bid proposal. Kucharzak refused the bid stating that it had been presented too late. The vice minister suggested that perhaps an exception could be made since it was only 12:08. The ICMA staff said that five other contractors had delivered bids in on time and that it would not be fair to accept a late bid from anyone. The city people said their watches said ten to twelve, that the traffic was heavy, and that they had been delayed in making last-minute changes. ICMA refused to modify the established procedures as outlined

at the pre-bid conference, the cost-estimating seminar, and in the documents. The *DEZ* representatives insisted that we at least accept the package. We responded that being late, it was of no value and was not a bid under consideration; however, if we did not have a responsive bid among the five, we would re-bid the project and that they may submit a bid at that time. An angry, disgruntled vice president and assistant of the city *DEZ* left with their bid. The five bids were opened by the Vice Minister of Housing in the presence of four of the bidding contractors at 12:15 p.m. and read as follows: 735,006 tenge; 1,360,905 tenge; 2,010,700 tenge; 2,260,800 tenge; and 3,846,882 tenge.

J. THE BID REVIEW

The bid-review committee composed of two members of the republic of Kazakhstan, one member representing the city of Almaty, two members representing the *Kazzhilkomkhoz* maintenance staff, and two members representing ICMA met to review the bids. Using the point system as contained in the bidding documents, the individual members rated the proposals, assigning points as follows:

Experience	15
Staffing	15
References	10
Work plan	20
Cost	30
Interview	10
Total	100

The committee also could grant the following bonus points:

Bonus for completeness of bid	10
Bonus for non-government bidders	10
Total Points Possible	120

The seven-member committee ranked the proposals in all categories except references and the interview. A short while into the review process the chairman of the steering committee interrupted the process and said that he had a question that he was certain also was on the minds of all of the committee members, that being his questioning of the source of the funds necessary to pay the contractor. When asked for clarification, he said that he did not believe that there were sufficient funds available to permit the committee to accept many of the bid proposals. The ICMA members of the committee tried to get the committee back on focus and reminded everyone that numerous attempts to obtain the budget for the pilot program had been frustrated. The chairman said that a budget was available and set a staff person out to

obtain the project file. With the file data before him, the chairman proceeded to read from what, obviously, was an operation budget for the territory which contained the pilot program. The data included all of the fees collected and expenses for services such as utilities, telephone, and other costs that had not been included in the scope of services under which the contractors had been asked to submit their bids. The ICMA staff stated that the data the chairman was providing was not the project budget but rather a budget developed by the city for the operation of the entire territory and that it did not answer the question as to what the pilot program budget really was. All anyone knew with any certainty was that the republic had committed 1,000,000 tenge to the demonstration but that no one was certain that even this money has been transferred and readily available. The ICMA staff admonished the committee members that the questions posed should have been dealt with in the early planning stages for the project, not at bid-evaluation time, and that the amount of money or the source of funds was not the concern of the bidding contractor of the committee. They were advised that if indeed the republic and the city did not have the funds to fulfill the contract, they should not enter into the agreement. The chairman then suggested that we invite one of the contractors who had an otherwise good proposal and ask if he would do the work for a million tenge less. The suggestion was strongly rejected by the ICMA members, and the committee returned to the task of evaluation. After the initial points had been assigned, the top two candidates were contacted and asked to submit references and to appear for an interview by the board later that day. After the review of the references and the interview, the board selected the firm of Magna as the most responsive bid. The firm was the third highest bidder but was considered to be the most experienced and had the employees and equipment necessary to fulfill the contract.

During the course of the bid review, the committee members had difficulty understanding that their judgment of the proposals should be limited to the scope of work and conditions for bidding as set forth in the bidding documents. Even with repeated cautions some committee members continued to expand the scope of work to include capital repairs or to impose performance limitations on the contractor's proposal by suggesting that the contractor would be restricted in following the maintenance schedules presently used by the city. The effect of the imposition of the city schedules was to challenge the bidders who proposed to perform tasks with greater frequency than currently scheduled by the city. The reoccurring problems led the ICMA committee members to conclude that the majority of the committee members never read the scope of work on which they were passing judgment. It also was rather apparent that one of the contractors had been subjected to more challenges on scheduling than had been the other, who several times during the interview had referred to a discussion that he had participated in during a meeting with the city maintenance personnel. This combination of a lack of preparation on the part of the committee members coupled with the belief that some behind-the-scenes discussions had taken place during the time between the first meeting of the bid-review committee and the oral interviews left a pall of suspicion on an otherwise carefully controlled bidding process such that the selected contractor was denied the opportunity to be awarded the contract on

merit and fair competition free from political maneuvering.

K. THE BID AWARD

The official announcement of the contract award was made on July 18, 1994, by the Minister of Housing for the Republic of Kazakhstan. The award ceremony was attended by the vice mayor of Almaty and officials of the republic and the city. All of the contractors who had submitted bids were present. The selection of Magna as the contractor for the program was not announced prior to the meeting. The contractors present were quick to offer their congratulations to Magna and expressed their appreciation for the opportunity to bid on the work, the care that had been invested in the bidding process, and the opportunity to have a private contractor involved in the Almaty maintenance effort. They also challenged the vice mayor to find a method and money to expand the demonstration in the hope of involving other contractors who, through the bidding process, had demonstrated their willingness and ability to become involved in the privatization of maintenance effort.

L. MONITORING

Prior to the issuance of the order to proceed to the contractor, the summer interns, with advice from the short-term resident advisor, established a data base on the site conditions of the public portions of the project. Using the same inspection form and procedures as will be used during the execution phase of the pilot program, the interns visited the site once a week for three consecutive weeks and recorded their findings. In addition to providing a site-condition base by which the contractor's performance will be compared, the pre-contract inspections helped in improving the inspections form to allow for additional notes made by the inspector. A copy of the revised inspection form is included (Exhibit E).

The contract requires that the owner inspect the properties on a weekly basis using the aforementioned inspection forms. It has been recommended that ICMA continue to use inspectors to monitor the contract and in so doing, evaluate the performance of both parties to the contract: the owner and the contractor.

The weekly inspection data collected will be evaluated, and the contractor's compensation under the contract will be affected by the score earned for a given billing period. In performing the inspections and the evaluations, the inspectors will review all of the components within a category of duties assigned to the contractor. The score for a work category shall reflect an honest assessment as to how well the contractor is performing each of the tasks specified in the work category. The inspector shall take measures to be fair and objective in completing the form. The inspector shall rate the contractor's performance as unsatisfactory, satisfactory, and outstanding. The three grades carry corresponding numerical values of 1, 2 and 3.

There are six work components to be evaluated and scored for each building on a once-a-week basis. This will result in a maximum score of 18 points for any given building inspected as part of the weekly

inspection program. The maximum number of inspection points that could be assigned on any one inspection tour of the 15 buildings is 270 points. The weekly inspection process then would result in the maximum number of points that could be assigned in any given month as 1,080. The computation of points assigned in any given month will be used to determine if the contractor has earned an overall rating of outstanding and, therefore, is entitled to the 10 percent bonus as provided for in the contract. If the contractor's monthly rating indicates unsatisfactory performance, the owner shall develop a work plan and a timetable setting forth the conditions under which the contractor can again receive a satisfactory score. If the contractor continues to receive an unsatisfactory inspection score, the owner shall take measures to withhold payment to the contractor and other such remedies as may be deemed appropriate up to and including the termination of the contract.

In evaluating the contractor's work, the inspector has been instructed to use the following guide:

Grounds Keeping	A general attractive appearance of the grounds. Evidence of regular cleaning. Plantings properly maintained, grass cut, shrubs and trees pruned. Playground equipment in good repair and safely maintained. Walkways and parking areas clean, safe, and in good repair. (clear of snow and ice.)
Refuse and Litter	Grounds are free of litter and debris. Refuse and litter are properly Control stored in areas designated for City refuse removal. Refuse disposal equipment is in good repair and in a good, operable condition. System shows evidence of regular maintenance and disinfecting. Chutes and common areas are free of garbage odors. Bins and storage areas are free of overflow waste and show evidence of ongoing maintenance and disinfecting. No evidence of rodents or insect infestation.
Janitorial Service	Evidence of ongoing and routine janitorial maintenance. Windows in stairways are clean. Stairs, landings, and elevator cabs are free of all dust, litter and debris. The stairway system shows evidence of having been recently washed in accordance with the contractor's maintenance plan. The lighting fixtures in the stairways and the exterior of the buildings are in good working order and properly cleaned.
Current Repair	Evidence that the Contractor is following a program of current repairs. Stairway walls and ceilings are in good repair, free of defects and are not in need of repainting. The building systems of the public areas and grounds are in a good state of repair, free of any defects, and in a safe, good operating condition.
Selected Preventative Maintenance	Evidence that the contractor is following a program of preventative maintenance. Any repairs identified during the last inspection have been corrected or corrections currently are under way. The inspector did not discover any defects to the systems or the building that had not already been reported by the contractor to the owner.
Emergency Repairs	Evidence exists in the records of the contractor that accurately document the emergency repair requests that had been submitted to the contractor

since the last reporting period, and the contractor's records show that the contractor abated the emergency within 24 hours after having received the request. The records document the timely reporting of the emergency to the owner and record the measures being undertaken to correct. The emergency telephone numbers are clearly displayed in the common area of the building.

V. THE FUTURE

A. REPLICATION

The five-month pilot program will provide a test of the public bidding process. However, a longer period under private management will be required in order to demonstrate the ability of the private contractor to continue to maintain the property at the expected level of maintenance and to determine the ability of the contractor to respond to resident-initiated requests for maintenance service within privatized dwelling units. The additional time will enable the study of the willingness of the residents to pay for a higher level of maintenance and custodial care. During this initial contract period the republic should undertake measures to locate additional sites where the privatization-of-maintenance program could be introduced. Ideally, one or two additional cities could be introduced to the program to determine if a greater amount of local government support will result in an improved program. A second feature that should be introduced in expanding the demonstration is to try another cluster of apartment complexes either in Almaty or in another city and try the demonstration without involving a grant. This would require negotiating with the republic and the local government to have the fees and commercial rents collected be reserved for the privatization program. We believe that this need to develop both the local will to move toward privatization and the need to introduce a self-paying approach to the maintenance service package is essential if the goals of the republic to have all of the dwellings under private maintenance are going to be achieved before the close of this century.

Wherever the privatization of maintenance program is introduced in the future, care should be taken to understand that governmental officials and private contractors have little or no experience in estimating costs for maintenance work, and therefore, early on in the planning for the project, training in cost estimating and the process of soliciting formal public bids should be carefully presented. If the consultants believe that the government officials have difficulty accepting or abiding with the requirements of a true open public bidding process, or are unable or unwilling to cooperate in providing a true and accurate budget for the project, the demonstration should not proceed until such assurances are made. The budgeting difficulties of the Almaty experiment have demonstrated the importance of involving the government officials in applying the procedures and policies that have been introduced in developing the budget for the project. Had time permitted additional training of the government officials in the

procedures for estimating repair and maintenance costs, the resulting scope of work and project budget would have been better understood by the officials. Additional training in the mechanics of maintenance cost estimating would have minimized the delays, misunderstandings and frustrations on the part of all in developing and implementing the bid and contract procedures and project budget.

Measures should be undertaken to provide incentives for greater participation and commitment by the residents within a privatization of maintenance project building. Ideally, the privatization program should be introduced in housing complexes that have all, or a large majority of the dwelling units under private ownership. A training program should be conducted for the residents to prepare them for the responsibilities of home ownership and condominium or cooperative living. The training should include the legal and financial aspects and obligations of ownership and should include a comprehensive study of the physical aspects of maintaining the property including hands-on workshops in simple plumbing, electrical and carpentry repairs, as well as skills development to assist residents in securing assistance in contracting for repairs and preventative maintenance work. Models for this type of home ownership readiness training are available in America from a number of banks and lending institutions offering first-time home buyer financing programs.

Efforts should be made to form a resident council which will serve as the "owner" for the privatization of maintenance project. Commitments should be obtained from the residents in the form of their agreeing to absorb a greater share of the cost of their housing by accepting conservation measures such as meters for gas, water and heating, and the introduction of individual water heaters and space heating equipment. In return, the residents should receive a discounted unit rate on their utility charges when compared to non-metered utilities in dwellings not enrolled in the privatization of maintenance program. The completion of a program of training in property management and maintenance and the implementation of the conservation measures should result in the city waiving the maintenance and service charges now assessed to the privatized and rental dwellings. A further incentive would be to have privatized dwellings operating under a recognized resident council to be granted the ownership "title" to any rental units within the building occupied by residents who chose not to be an owner. The resident council would then be entitled to collect the rent and fees normally paid to the city thereby increasing the amount of working capital available for maintenance and repairs. The combined effect of the conservation efforts and the assumption of the maintenance and property management functions would be a tremendous savings to the city and provide the only vehicle whereby the city will be able to transfer the responsibilities for maintenance and property management over to the owners and the private contracting industry.

The contract documents and training materials developed under the pilot program have been preserved in both Russian and English. In addition, the pre-bid conference and the cost-estimating seminar have been video-taped, which, along with the overhead transparencies and the written supplements, provide usable training tools for program

expansion.

B. LESSONS LEARNED

The pilot program provided several valuable lessons that should be incorporated into future privatization programs.

- The necessity of having local government support for the program is critical in assuring that the program will have a reasonable chance for success and justifying the expenditure of time and money to effect the demonstration.
- While pre-bid-document review work is under way with government officials, meetings and community organization work should be underway to help prepare and enlist the involvement of the residents in the program. The involvement of resident representation at all phases of the program development and execution has been identified as essential to the success of the program.
- There is a need to further simplify the bidding documents to improve owner and contractor understanding. The failure of the government officials to read and comprehend the scope of work and the wide range of proposed work tasks and costs submitted by the Almaty bidders require that more attention be given to developing a more prescriptive scope of work and a corresponding budget for the demonstration project. Also there is a need for additional training for the government officials, the local maintenance officials, and the residents as to how the introduction of the private maintenance contract will change their roles or agency involvement and what impact the private-sector involvement will have on their future.
- Future demonstration projects should include more specific language in the contract documents encouraging resident employment and the payment of a living wage to the workers hired and paid through the efforts of the demonstration project.

C. THE FUTURE

More work needs to be done to develop written and video training materials that serve a variety of needs associated with the privatization of maintenance efforts supported by the United States Government being introduced throughout the republics of the former Soviet Union. The training materials should cover all of the basics, assuming no prior knowledge or understanding, and be presented in a generic, simple-to-understand manner that facilitates the translation and promulgation of the materials to a wide area of Eastern Europe, Central Asia, the Baltic Republics, and the Russian Far East.

The training materials are essential to the successful introduction of the privatization of maintenance program and are even more important to the development of a private-sector, competitive

maintenance and construction industry. Failure to properly educate and assist emerging contractors will leave them vulnerable to graft and political influence peddling of the "business as usual" group of government bureaucrats as well as the emerging Mafia. A system of licensing of contractors and the encouragement of trade associations would help galvanize the industry and provide it with a unified voice and the ability to assume the training and negotiating roles after the privatization demonstration phase is over.

EXHIBIT B

CONTRACTOR'S STATEMENT
OF QUALIFICATIONS

INFORMATION ABOUT YOURSELF

1. The name of your business _____

Address of your business _____

Telephone number _____

Principles (owners of the business)

_____	_____
Name	Address

_____	_____
Name	Address

_____	_____
Name	Address

Who will be in charge of the Proposal / Contract _____

DESCRIBE YOUR BUSINESS

_____ Juridical person

_____ Joint-Stock Company

_____ Public Entity converting to
a Private company

_____ Other

HOW LONG HAVE YOU BEEN IN BUSINESS? _____

DESCRIBE YOUR QUALIFICATIONS TO DO THE WORK DESCRIBED
IN THE REQUEST FOR PROPOSAL

PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE IN DETAIL

Tell us what customers you have had in the past.

List any current customers you have (please include addresses and telephone numbers)

May we contact your present customers for a reference_____yes _____no

DESCRIBE THE WORK APPROACH OR BUSINESS PHILOSOPHY OF YOUR BUSINESS. TELL US HOW YOUR BUSINESS PHILOSOPHY DISTINGUISHES YOUR BUSINESS FROM OTHER BUSINESSES DOING THIS TYPE OF WORK

HOW MANY EMPLOYEES DO YOU HAVE? _____

LIST YOUR EMPLOYEES BY NAME, POSITION IN YOUR BUSINESS, EXPERIENCE, LENGTH OF TIME THEY HAVE BEEN WITH YOUR FIRM, PERCENTAGE OF TIME THEY WILL DEVOTE TO THE PILOT PROGRAM

Name	Position	Experience	Time in firm	% time on Pilot
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_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

HOW MANY EMPLOYEES HAVE YOU FIRED OR LAID OFF IN THE PAST YEAR? _____

HAVE YOU EVER HAD A CONTRACT TERMINATED? _____ NO _____ YES (describe)

DO YOU HAVE THE FOLLOWING DOCUMENTS? If so, please provide a copy.

Annual Report ☐ no ☐ yes _____

Financial Statement ☐ no ☐ yes _____

Recent Audit ☐ no ☐ yes _____

Other Documents that ☐ no ☐ yes _____
will demonstrate the
soundness of your firm

SUBCONTRACTORS

**DO YOU INTEND TO USE SUBCONTRACTORS
TO PERFORM ANY WORK ON THE PILOT PROGRAM?** ☐ NO ☐ YES
(describe below)

Subcontractor	What they will do?	In business since?	Have you used them before?
----------------------	---------------------------	---------------------------	---------------------------------------

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**DESCRIBE THE PROCEDURES YOU WILL USE IN PROCESSING WORK REQUESTS
FROM RESIDENTS. PLEASE DESCRIBE THE PAPERWORK (forms, files) YOU WILL USE.**

DESCRIBE YOUR PROCEDURES TO PROVIDE FOR 24 HOUR EMERGENCY COVERAGE

DESCRIBE YOUR PROCEDURES FOR COMPLETING ROUTINE SERVICE REQUESTS

**DESCRIBE YOUR PHILOSOPHY REGARDING RESIDENTS RELATIONS. PROVIDE A
DESCRIPTION OF HOW YOU AND YOUR EMPLOYEES WILL RELATE TO THE PILOT
PROGRAM RESIDENTS. DESCRIBE THE MEASURES THAT YOU WILL TAKE TO INSURE
THAT THE RESIDENTS ARE SATISFIED WITH YOUR PERFORMANCE.**

DESCRIBE YOUR PHILOSOPHY REGARDING OWNER RELATIONS. PROVIDE A DESCRIPTION OF HOW YOU AND YOUR EMPLOYEES WILL RELATE TO THE PILOT PROGRAM OWNER TO INSURE THAT YOUR PERFORMANCE IS IN ACCORD WITH THE CONTRACT. DESCRIBE THE PROCESS THAT YOU WILL USE TO COMMUNICATE AND COORDINATE WITH THE OWNER.

DESCRIBE HOW YOU WILL COORDINATE THE ORDERING AND DELIVERY OF SUPPLIES TO INSURE THAT ADEQUATE MATERIALS ARE AVAILABLE TO FULFILL YOUR OBLIGATIONS UNDER THE CONTRACT.

DESCRIBE YOUR INVENTORY PROCEDURES AND THE CONTROLS YOU WILL USE TO CONTROL SUPPLIES.

DESCRIBE HOW YOU WILL EVALUATE AND REPORT REQUESTS FOR CAPITAL REPAIRS AND REPLACEMENTS. TELL US HOW YOU WILL EVALUATE THE COST OF THE WORK AND SUGGEST METHODS OF CORRECTION TO THE OWNER.

EXHIBIT D

REQUEST FOR PROPOSALS

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I. INTRODUCTION

A. Background

In 1993, a Memorandum of Cooperation was signed between the United States Agency For International Development (hereafter referred to as USAID) and the Republic of Kazakhstan, (hereinafter referred to as the Republic), for technical assistance in the housing sector. The Republic targeted the privatization of the management and maintenance of the housing stock as one of the initial areas of study.

The Republic is conducting a Pilot Program to be co-sponsored by USAID through its contractor, the International City/County Management Association (ICMA), to demonstrate the feasibility of providing high quality private maintenance services to the housing stock.

Implementation of the Pilot Program is scheduled to begin in 1994. The Pilot Program will terminate with the end of the City Almaty's fiscal year, December 31, 1994, but the expectation is that the Contract will be continued for an additional period of time, and that the Pilot Program will result in ongoing expansion of private maintenance services.

In the context of the Pilot Program, the City will explore private and competitive alternatives to traditional forms of public maintenance. The premise of the Pilot Program is that private, competitive maintenance alternatives will be less expensive, and will lead to a better quality of life for the residents.

Any juridical person, small business enterprise or individual may submit a proposal. The entity which submits the best responsive bid (hereinafter referred to as Contractor) will be selected to enter into a Contract with the Owner to provide the maintenance services.

B. Goals and Objectives.

The goal of the Pilot Program is to demonstrate the feasibility of Private Contractors delivering high quality maintenance services to the housing stock at a reasonable cost.

The Owner's goal is to maintain the buildings and grounds in a clean, sanitary and safe condition within the approved budget.

The Pilot Program will use quantitative and qualitative criteria to evaluate performance. The Pilot Program is focused less on the "work process" and more on the "work results." For example, the Contractor will be required to maintain the building common areas to a certain

standard of cleanliness and safety. The pilot Program is not concerned with how the Contractor achieves this objective, but rather with the end result. When the common areas are inspected by the Owner and found to be in compliance with the stated objectives and budget, the Contractor's performance will be judged as satisfactory, or outstanding in instances where the Contractor has exceeded the performance objectives. If the objectives and budget are not met, the Contractor's performance will be judged as unsatisfactory.

C. Scope of Work

The following is a general descriptions of the Scope of Work to be performed by the Contractor in fulfilling the Owner's goals. Bidders should review the Contract (attached as an Exhibit) for a detailed description of the scope of work.

1. CURRENT REPAIR. This includes any ordinary repair to buildings and associated systems, structures and grounds required to keep the building in good working order. Current repair includes replacement of broken windows and repair or replacement of stairs, lighting fixtures and railings in the common areas of the buildings. Current repair does not include capital repair or extraordinary maintenance, such as the replacement of lifts, or replacement of major building components.

2. EMERGENCIES. an emergency is any repair that poses an immediate threat to the safety and well being of the residents or the general public, including any hazardous condition inside or outside of the buildings. An example of an emergency condition is a gas leak in a flat or a building.

3. REFUSE AND LITTER REMOVAL. The Contractor will be responsible for assuring that refuse and litter are properly stored in the areas designated for city pick up. In addition, on a regularly scheduled basis, the Contractor will clean and disinfect the refuse disposal equipment including chutes, bins and refuse containers.

4. JANITORIAL SERVICE. The Contractor will be responsible for performing routine janitorial tasks such as washing windows in stairways, sweeping and washing the stairways and elevator cab, and the replacement of bulbs in lighting fixtures in the stairways and other common areas.

5. GROUNDS KEEPING. This includes the maintenance of an attractive appearance of the grounds through regular cleaning and maintaining of any plantings. playground equipment, walkways and parking areas. And where necessary, performance of seasonal tasks such as leaf removal, snow and ice removal, pruning and lawn maintenance.

6. SELECTIVE PREVENTATIVE MAINTENANCE. The Contractor will be responsible for preventative maintenance of the building and its major system components, as agreed upon with the Owner. Preventative maintenance is the performance of regularly scheduled maintenance to prevent and decrease the need for more costly repairs.

CONTRACTOR WILL NOT BE RESPONSIBLE FOR THE FOLLOWING:

CAPITAL REPAIR. Capital repairs are major or extraordinary repairs such as installation of a new heating system. (The Contractor shall assist the Owner by promptly reporting conditions that require capital repair. Suggestions from the Contractor on courses of action to repair or replace capital items are encouraged.)

REPAIRS INSIDE APARTMENTS.

REPAIRS TO HEATING, PLUMBING AND ELECTRICAL SYSTEMS, ROOFS, LIFTS, BUILDING FACADES OR BALCONIES.

TENANT TURNOVER REPAIRS. Repair of apartments when new owners or residents are moving in.

DISPATCH OF DEZ MAINTENANCE EMPLOYEES.

CONTRACTS FOR UTILITIES OR OTHER COMMUNAL SERVICES.

THE CALCULATION OR COLLECTION OR RENT, UTILITY CHARGES OR COMMUNAL SERVICE FEES.

PASSPORT CONTROL.

DRAFT REGISTRATION.

LEASING.

D. FUNDING

Funding for the Pilot Program is provided by the Republic and the City from the maintenance fees paid by the residents. The level of funding reserved for the Pilot Program has been determined using actual historic expense data, adjusted for inflationary trends.

Payments to the Contractor will include an inflation index to protect the Contractor against increases in expenses caused by inflation.

Funding for this Pilot Program is for the current fiscal year ending December 1, 1994. Although the Contract will be written for the August 1 to December 31, 1994 period, they will contain an option on the part of the parties to renew for an additional period of time.

E. PROCEDURE AND FORMAT FOR PROPOSAL SUBMISSION.

All Proposals must follow the format specified below. Proposals that do not follow the specified format may be rejected by the Owner.

A comprehensive briefing on the procedure and format for Proposals will be given at the Pre-Bid Conference.

ALL PROPOSALS MUST BE SUBMITTED TO THE ICMA OFFICE AT 42 GOGOLYA STREET, #2 (RADIOTECHNIKA BUILDING) BY NOON, FRIDAY, JULY 15, 1994. Proposals submitted after noon on July 15 will not be accepted. Proposals should be in a sealed envelope clearly labeled on the outside with the words:

BID PROPOSAL

The Proposal contains two parts: a STATEMENT OF QUALIFICATIONS, which describes your work experience and qualifications; and a BUDGET AND WORK PLAN, which describes your proposed work plan and the financial aspects of your proposal. The formats for the Statement of Qualifications and the Budget and Work Plan will be described in detail and the forms will be distributed at the Pre-Bid Conference.

II. PRE-BID CONFERENCE.

A Pre-Bid Conference will be held to brief all interested bidders on the bid procedures and formats. Information regarding the Pilot Program will be discussed, and instructions regarding how to submit bids will be covered at this meeting. Any questions about the Pilot Program or the procedures for submitting proposals will be entertained at the meeting. Any questions that are not answered at the meeting will be answered in writing with copies made available to each conference attendant prior to the date due for submission of the Proposals.

In the interest of fairness, no questions will be entertained prior to this conference. Do not telephone the Owner, the City, or the Ministry offices with questions. Please save all of your questions until the pre-bid conference. By addressing all questions at the conference, all interested bidders will have the benefit of hearing the same questions and answers.

Although attendance at the Pre-Bid Conference is not mandatory, all interested bidders are strongly urged to attend.

The Pre-Bid Conference will be held at 10:00 a.m. on Wednesday, July 6, 1994 in room 408, Ministry of Construction Housing and the Development of Territories, 98 Zholtoksan (Mira), Almaty.

III. DESCRIPTION OF THE PROPERTY AND PROCEDURE FOR INSPECTION.

A. PROCEDURE FOR INSPECTION

All potential bidders are encouraged to inspect the properties included in the Pilot Program.

A group tour of the properties will be conducted at 2:00 p.m. on Wednesday, July 6, 1994. Potential bidders should meet at 2:00 p.m. in front of the Hotel Alatau on Lenina Street.

Only one tour will be given. Individual tours will not be accommodated. There is no prohibition regarding potential bidders making their own site visits, however, you must notify the Owner that you will be visiting a particular site in case there are any questions from the residents regarding who you are or what you are doing on the site. The tour will enable the bidders to become familiar with the conditions of every building including the structural elements, systems and equipment.

IV. SELECTION PROCESS.

The selection of Contractors for the Pilot Program shall be carried out in an open and fair fashion that is consistent with the public purpose of the Pilot Program.

Proposals will be analyzed and contracts will be awarded on an equal and fair basis, without regard to the race, sex, religious, or ethnic backgrounds of the bidders.

All Proposals will be opened at 12:15 p.m. on Friday, July 15, 1994 at ICMA. The Proposal Opening may be attended by anyone that is interested. A list of proposals and bid prices will be made available at the Proposal Opening.

All proposals and their entire contents shall be considered to be open to the public. Any proposal may be reviewed by any interested party upon request.

A. EVALUATION CRITERIA.

All bidders will be evaluated and ranked using the following criteria;

Criteria	Points
Experience	15
Staffing	15
References	10
Work Plan	20
Cost	30
Interview	10
Total	100

Bonus For Completeness of Bid	10
-------------------------------------	----

Bonus For Private Contractors	10
----------------------------------	----

Total Possible Points	120
-----------------------	-----

B. INTERVIEW.

Interviews may be scheduled with all qualified bidders. A qualified bidder is one that has a good knowledge of his sphere of activity and has submitted a Proposal in accord with the requirements described in this document. If you are selected for an interview, you may bring a team of three representatives from your company to the interview. Interviews will be conducted by a team of interviewers representing the Owner, the City of Almaty and the Republic of Kazakhstan.

V. CONTRACTS.

A. CONTRACT FORMAT.

A Model Contract in accord with the laws of the Republic of Kazakhstan and the City of Almaty is attached as an Exhibit. Except for the name of the Contractor and the Contract amount, the Contract will be in the form of the Model Contract.

The Contract shall be open to the public and any interested party may review the Model Contract and the signed Contract upon request.

B. CONTRACT PAYMENTS.

All payments under the Contract shall be made in tenge directly into the Contractor's bank account. The Owner shall make the first payment (for the month of August) in the amount of one-fifth of the total contract amount on August 1, 1994. Subsequent payments shall be made on a monthly basis on the first day of each month, subject to the following procedure.

- If the Contractor has earned a satisfactory performance rating for the preceding month, then payment for the next month shall be made in the amount of one-fifth of the contract amount.

If the Contractor has earned an outstanding performance rating for the preceding month, the Contractor shall receive the base payment of one-fifth of the contract amount plus ten percent.

If deficiencies identified by the Owner are not corrected within a reasonable time, or if the Contractor's performance is otherwise unsatisfactory, the contract payments may be delayed, reduced, or withheld until the Contractor's performance is again satisfactory.

VI. PERFORMANCE EVALUATION AND MONITORING.

A. FINANCIAL ACCOUNTABILITY.

The Contractor shall be responsible for accurate and timely record-keeping regarding the receipt and expenditure of all Contract payments under the Pilot Program. Monthly financial reporting to the Owners will be required, and monthly payments may be delayed, or withheld, if financial reporting requirements are not met. Financial records shall be subject to audit by independent auditors selected by the Owner at the end of the Contract period and at any time during the Contract period, as may be required by the Owner.

B. MONITORING AND RESIDENT SATISFACTION.

Monitoring of performance under the Contract will be done by the Owner. The Owner and Contractor will confer regularly to evaluate performance and to provide feedback to each other. Monitoring will include assessments of the physical condition of the buildings and grounds and resident interviews to measure satisfaction with the services provided by the Contractor.

C. CONTRACTOR EVALUATION.

There are three levels of Contractor performance that will be recognized by the Contract:

1. SATISFACTORY PERFORMANCE -- The Contractor is performing all work in accord with the Contract.
2. OUTSTANDING PERFORMANCE -- The Contractor's performance exceeds all of the Contract provisions.
3. UNSATISFACTORY PERFORMANCE -- The Contractor's performance is below that stipulated in the Contract. Remedial actions is required by the Contractor to correct performance deficiencies.

A more specific definition of what constitutes these three performance levels is included in the Contract.

VII. FOR ADDITIONAL INFORMATION

Contact: _____

MODEL MAINTENANCE CONTRACT
PRIVATIZATION OF MAINTENANCE
PILOT PROGRAM
ALMATY, KAZAKHSTAN
JULY 1994

MAINTENANCE CONTRACT

This Agreement is made as of July____, 1994, between the Owner and the Contractor.

OWNER:

CONTRACTOR:

Name:_____

Name:_____

Address:_____

Address:_____

Phone:_____

Phone:_____

Contact:_____

Contact:_____

PREMISES

The Owner conducted a competition whereby various participants submitted proposals to provide the maintenance services described in this Contract.

The Contractor was selected as the successful bidder in that competition.

The Owner wishes to conduct a pilot program to demonstrate the feasibility of private individuals or firms delivering competitive, high quality maintenance services to the housing stock at a reasonable price.

The orderly and uniform maintenance, appearance, and upkeep of the buildings and grounds described in this Contract is necessary and essential for the preservation and promotion of the interest of the Owner and the protection of the value of the property and convenience and living conditions of the residents of the property.

The Republic of Kazakhstan and the Almaty City Administration have agreed to provide the funding for this Contract.

The Owner is authorized to hire by means of the Contract, a maintenance contractor.

For purposes of the Contract, the term Owner includes the government agency on whose behalf this Contract will be signed, and the residents of the buildings.

AGREEMENT

Based on these premises, the Owner and the Contractor agree as follows:

1. PROPERTY.

The buildings and grounds that are the subject of this Contract are described on Exhibit I and are shown on the site plan attached as Exhibit II.

2. EMPLOYMENT.

The Owner hereby employs the Contractor as the exclusive provider of maintenance services to the Property and the Contractor does hereby accept such employment.

3. POWERS AND DUTIES OF THE OWNER.

The Owner shall be the administrator of this Contract. The Owner shall assess the performance of the Contractor through fair and objective monitoring activities including the regular review of the Contractor's reports, regular progress meetings with the Contractor, regular inspections of site and building conditions, and periodic surveying of the residents to assess their satisfaction with the Contractor's performance. The Owner is responsible for providing free of charge, suitable on-site warehouse and workshop space to the Contractor for the Contractor to store supplies and equipment necessary to complete its duties under this Contract. The Owner shall provide to the Contractor, a list of names, addresses, and telephone numbers of all commercially leased spaces within the buildings. The Owner shall also provide the Contractor with a list of all pertinent municipal agencies and contact persons related to the management and operation of the buildings. The Owner is responsible for ensuring that all payments due to the Contractor under this Contract (including payments to compensate for inflation) are made in accord with the Contract.

4. POWERS AND DUTIES OF THE CONTRACTOR.

A. Maintenance and Repair Duties. The contractor shall be authorized and required in the name of and on behalf of the Owner, to perform all services reasonably necessary for the maintenance of the buildings, including but not limited to the following:

1. CURRENT REPAIR. This includes any ordinary repair to buildings and associated systems, structures and grounds required to keep the buildings in good working order. Examples of current repairs are cleaning of stairwells and entryways, replacement of light bulbs in the public areas of the buildings, replacement of broken doors and windows, repair or replacement of stairs, lighting fixtures and railings in common areas and repair of any building security systems. Current repair does not include capital repair or extra ordinary maintenance, such as the replacement of lifts or replacement of major building components. The routine response

time for current repair should not exceed 24 hours from the time between the Contractor's first awareness of a need for current repair and completion of the repair. If response time exceeds 24 hours, it may still be satisfactory if the delay was caused by circumstances beyond the control of the Contractor.

2. EMERGENCIES. An emergency is any repair that poses and immediate threat to the health or safety of the residents or the general public, including any hazardous condition inside or outside of the buildings. An example of an emergency is a gas leak in a flat or a building. Upon learning of an emergency condition, the Contractor shall notify the Owner of the emergency condition and the measures taken by the Contractor to abate the emergency. The Contractor is not required to perform additional repair under this Contract, unless the Owner and the Contractor agree to the additional work and the amount of extra payment to be made by the Owner. (An example of this procedure is as follows: A resident reports a water leak to the Contractor. The Contractor should immediately shut off the water to the unit and notify the Owner. The Owner may make arrangements to repair the leak or may ask the Contractor to repair the leak for additional pay to be agreed upon by the Owner and the Contractor.)

3. REFUSE AND LITTER REMOVAL. The Contractor shall inspect the public areas and grounds daily and remove all debris and litter. The contractor shall assure that refuse and litter are properly stored in the areas designated for garbage collection. In addition, on a regularly scheduled bases, the Contractor will clean and disinfect the refuse disposal equipment including chutes, bins and refuse containers.

4. JANITORIAL SERVICE. The Contractor shall perform routine janitorial tasks such as washing windows in stairways, sweeping and washing the stairways and elevator cab, and the replacement of electrical light bulbs in lighting fixtures in the stairways and common areas.

5. GROUNDS KEEPING. The Contractor shall maintain an attractive appearance of the grounds through regular cleaning and maintaining of any plantings, playground equipment, walkways and parking areas. The Contractor will also perform seasonal tasks such as leaf removal, snow and ice removal, pruning and lawn maintenance.

6. SELECTIVE PREVENTATIVE MAINTENANCE. The Contractor will be responsible for preventative maintenance of the buildings and their major system components, as agreed upon with the Owner.

Preventative maintenance is the performance of regularly scheduled maintenance to prevent and decrease the need for more costly repairs.

The Contractor shall conduct all work in accord with the approved budget that is made a part of this Contract and is contained in Exhibit III.

The Contractor is not responsible for the following:

CAPITAL REPAIR. (capital repairs are defined as major or extraordinary repairs such as installation or replacement of lifts, replacement of roofs or installation of a new heating system. The Contractor shall assist the Owner by promptly reporting conditions that require capital repair. Suggestions from the Contractor on courses of action to repair or replace capital items are encouraged.)

REPAIRS INSIDE OF THE APARTMENTS. Unless authorized to do so under separate contract with the Owner.

REPAIRS to heating, plumbing and electrical systems, roofs, lifts, building facades or balconies - unless authorized to do so under separate contract with the Owner.

RESIDENT TURNOVER REPAIRS. (e.g. repainting of apartments when a new resident is moving in.)

DISPATCHING OF DEZ maintenance employees.

COMMUNAL SERVICES, including telephone, electricity, water, heat, gas, sewer, and other utilities.

PASSPORT CONTROL

B. MEETINGS AND SITE VISITS. The Contractor shall meet with the Owner at regularly scheduled meetings (at least once every two weeks) and at other reasonable times at the Owner's request in connection with the performance of its duties. The Contractor shall be available to arrange site visits and to meet with the Owner at the site.

C. EMPLOYEES. The Contractor shall select, employ, and supervise such employees as may be required to maintain the property, and as are specifically provided for in the budget approved by the Owner. The employees shall be deemed to be the employees of the Contractor. The Contractor shall be responsible for their compensation and any benefits.

D. WORK ORDER PROCEDURES. The Contractor shall design and implement procedures for residents (commercial and residential) to request repairs or maintenance to the buildings or grounds.

The Owner shall notify the residents of this system and of the address and phone numbers where requests can be made. The Contractor shall maintain a log listing the date and time of all resident requests and the date and time of all actions taken by the Contractor (and materials purchased), or describing the reason if no action was taken.

E. RELATIONSHIP WITH RESIDENTS. The Contractor shall maintain a responsive and cordial working relationship with the residents at all times. It shall be the responsibility of the Contractor to post the telephone number(s) to be called for service after hours and during holidays. This notification must also include information on procedures for reporting problems, including hazardous conditions and illegal activities observed at the property.

F. APPLICABLE LAWS AND REGULATIONS. All work performed under this Contract is to be in full accord with all applicable legislation of the Republic of Kazakhstan and the City of Almaty.

G. BUDGET. The Contractor agrees to perform all services for a cost (including all fees and profit) not to exceed that specified in the approved budget (incorporated into this Contract as Exhibit II.)

H. PURCHASES. Any equipment, tools, appliances, goods, supplies, and materials purchased by the Contractor or under this Contract (according to the budget or otherwise) shall be considered the property of the Owner.

I. ACTIVITIES OUTSIDE SCOPE OF WORK. The Contractor is not obligated to perform any activities that are not within the Scope of Work described above. The Contractor is free to agree with individual residents or the Owner to do additional work outside the Scope of Work for additional payment.

J. REPORTING. The Contractor shall submit to the Owner on the tenth day of each month, a project report for the preceding month. The project report shall contain a detailed description of all receipts and expenditures under this Contract, the log of resident work done by the Contractor under this Contract. The project report shall also contain a description of any problems identified by the Contractor and any recommendations the Contractor has regarding the property or future work under the Contract. The project reports shall be subject to audit by independent auditors selected by the Owner at the end of the Contract period and at any time during the Contract period, as required by the Owner.

5. PROJECT SUPERVISION. The Ministry of Construction and City Steering Committee chaired by Erik Ozoling shall have the right to oversee all of

the Owner and Contractor under this Contract, including the performance of maintenance by the Contractor and the disbursement of funds by the Owner.

6. NOTICE TO PROCEED.

The Contractor shall not commence work under this Contract until the Owner has issued a "Notice To Proceed" in writing. A Notice to Proceed is a written consent from the Owner to the Contractor to commence work as of a certain date.

7. CONTRACTORS COMPENSATION.

A. CONTRACT AMOUNT. This Contract shall be for the amount of _____Tenge. The Contract amount is reflected in the approved budget (EXHIBIT III). The Contract amount includes all fees, overhead, and profit payable to the Contractor, except for the "Outstanding Performance" fees described below.

B. PERFORMANCE LEVELS. It is the Owner's responsibility to inspect the condition of each of the buildings and associated grounds and to review the Contractor's performance at least weekly. For each weekly inspection and review, the Owner shall complete a Property Inspection Form in the form attached as Exhibit IV. There are three levels of performance recognized by this Contract:

1. SATISFACTORY PERFORMANCE -- monitoring indicates that the Contractor is performing all work in accord with the Contract. Routine maintenance response time and emergency response time is satisfactory. Preventive maintenance schedules are met. Reports are accurate and received in a timely fashion. Expenses do not exceed budgeted levels. The properties are usually clean and attractive. Tenant surveys indicate a moderate increase in satisfaction with the Contractor's performance over prior traditional forms of maintenance. A monthly inspection score between 660 and 959 is classified as satisfactory.

2. OUTSTANDING PERFORMANCE. -- monitoring indicates that the Contractor is performing all work in a fashion that exceeds the Contract provisions. Routine maintenance response time and emergency response time are faster than the requirements in this Contract. Preventative maintenance is performed ahead of schedule. Reports are error free and are received ahead of deadlines/ Expenses are at or below budgeted levels. The properties are always clean and attractive. Tenant surveys indicate a significant increase in satisfaction with the Contractor's performance over prior traditional forms of maintenance. A monthly inspection score of 960 or above is classified as outstanding.

3. UNSATISFACTORY PERFORMANCE. -- monitoring indicated that the Contractor is not performing work in accord with the Contract. Examples of failure to perform work in accord with the Contract are: routine maintenance response or emergency response times are unsatisfactory; preventative maintenance schedules are not met; reports are inaccurate or are not received on time; expenses are above budgeted levels; the properties are not usually clean and attractive; or resident surveys indicate a decrease in resident or satisfaction with the Contractor's performance when compared to prior reporting periods. A monthly inspection score of 659 or below is unsatisfactory. If the Contractor is performing at the unsatisfactory level, the Owner shall immediately inform the Contractor in writing, and the Contractor shall provide the Owner with a written plan and timetable to correct any performance deficiencies. The Owner shall give the Contractor a reasonable time to correct the deficiencies.

The Owner may not deem the Contractor's performance to be unsatisfactory unless the Owner has made the Owner has made weekly inspections and completed weekly Property Inspection Forms.

C. CONTRACT PAYMENTS. All payments under this Contract will be made in Tenge directly into the Contractor's bank account. The Owner shall make the first payment (for the month of August) in the amount of one-fifth of the total contract amount on August 1, 1994. Subsequent payments shall be made on a monthly basis on the first day of each month, subject to the following procedure.

- If the Contractor has earned a satisfactory performance rating for the preceding month, then payment for the next month shall be made in the amount of one-fifth of the contract amount.
- If the Contractor has earned an outstanding performance rating for the preceding month, the Contractor shall receive the base payment of one-fifth of the contract amount, plus ten percent.
- If deficiencies identified by the Owner are not corrected within a reasonable time, or if the Contractor's performance is otherwise unsatisfactory, the contract payments may be delayed, reduced, or withheld until the Contractor's performance is again satisfactory.

INFLATION INDEX. All payments to the Contractor shall be adjusted for fluctuations in the value of the Tenge according to the following procedure. The amount of each payment due under the Contract shall be multiplied by a fraction the numerator of which is the "dollar exchange rate" on the date of the payment, and the denominator of which is the "dollar exchange rate" on the date the Contractor's bid was submitted. The "dollar exchange rate" shall be determined by averaging the rates for buying and selling dollars published by Kramds Bank and Kazcommerce Bank on the date in question.

8. CONTRACTOR'S RESPONSIBILITY.

The Contractor in the exercise of its powers and performance of its duties and obligations under this Contract shall be responsible solely to the Owner.

9. NO LIABILITY.

The Contractor is not liable to the Owner for any loss or damage not caused by the Contractor's own misconduct or negligence.

10. TERM OF CONTRACT.

The initial term of this Contract is for the period August 1, 1994 through December 31, 1994.

11. EXTENSION OF CONTRACT.

The initial term of this Contract may be extended for such period and for such an amount as may be agreed upon by the parties.

12. TERMINATION FOR UNSATISFACTORY PERFORMANCE.

Termination for unsatisfactory performance is a last resort, and only when there is unsatisfactory performance on the part of the Contractor and the Contractor has failed to remedy the unsatisfactory conditions as required under this Contract. Termination shall not occur until all possible efforts on the part of the Owner and the Contractor to cure or remedy deficiencies have been exhausted.

13. ENTIRE CONTRACT.

This Contract contains the entire agreement between the Owner and the Contractor relating to the maintenance project. No prior representations, agreements or warranties, written or oral, shall be in effect unless contained in this contract. No modifications of this Contract shall be effective unless signed in writing by both parties.

14. NONDISCRIMINATION.

In the performance of its obligations under this Contract, the Contractor shall not discriminate against an resident, potential employee, or employee based on grounds of race, color, sex, or national origin.

15. COUNTERPARTS.

This Contract may be in several counterparts, each of which shall constitute a complete original Contract, which may be introduced in evidence or used for any other purpose without the production of any of the other counterparts.

The parties have executed this Contract on the date first written above:

OWNER:

(Name of Owner)

by: _____

(name of person)

CONTRACTOR:

(Name of Contractor)

by: _____

(name of person)

EXHIBIT E

PROPERTY INSPECTION FORM

BUILDING

ADDRESS: _____

DATE OF INSPECTION: _____

INSPECTION PERFORMED

BY: _____

<u>COMPONENT</u>	<u>CONDITION</u>	<u>COMMENTS</u>
GROUNDS KEEPING	1 2 3	_____
REFUSE AND LITTER CONTROL	1 2 3	_____
JANITORIAL SERVICE	1 2 3	_____
CURRENT REPAIR	1 2 3	_____
SELECTED PREVENTATIVE MAINTENANCE	1 2 3	_____
EMERGENCY REPAIRS	1 2 3	_____

Project Inspection Form Guide

Scoring: The inspector will review all the components within a category of the duties assigned to the Contractor. The score for a work category shall reflect an honest assessment as to how well the Contractor is performing each of the tasks specified in the work category. The inspector shall take measures to be fair and objective in completing the form. The numerical values to be assigned are: Unsatisfactory - 1 Satisfactory - 2 Outstanding - 3

There are a total of 18 possible points that may be awarded per inspection of any building. The maximum number of points that could be assigned on any one inspection tour is 360 points. The Owner is obligated to conduct a complete inspection of the entire project weekly. This will result in the maximum number of points that could be awarded to the Contractor in any given month is 1,440 points. The computation of points assigned in any given month will be used to determine if the Contractor has earned an overall outstanding and is therefore entitled to the bonus set forth in the Contract, or for the imposition of corrective measures to improve the Contractor's performance or initiate Contract termination procedures.

CONTRACT WORK CATEGORIES AND TASKS

Grounds Keeping	A general attractive appearance of the grounds. Evidence of regular cleaning. Plantings properly maintained, grass cut, shrubs and trees pruned. Playground equipment in good repair and safely maintained. Walkways and parking areas clean, safe, and in good repair. (clear of snow and ice)
Refuse and Litter Control	Grounds are free of litter and debris. Refuse and litter are properly stored in areas designated for city refuse removal. Refuse disposal equipment is in good repair and in a good operable condition. System shows evidence of regular maintenance and disinfecting. Chutes and common areas are free of garbage odors. Bins and storage areas are free of overflow waste, and show evidence of ongoing maintenance and disinfecting. No evidence of rodents or insect infestation.
Janitorial Service	Evidence of ongoing and routine janitorial maintenance. Windows in stairways are clean. Stairs, landing and elevator cabs are free of all dust, litter and debris. The stairway system. shows evidence of having been recently washed in accordance with the Contractor's maintenance plan. The lighting fixtures in the stairways and the exterior of the building are in good working order and properly cleaned.
Current Repair	Evidence that the Contractor is following a program of current repairs. Stairways walls and ceilings are in good repair, free of defects and are not in need of repainting. the building systems of the public areas and grounds are in a good state of repair, free of any defects and are in a safe, good operating condition.
Selected Preventative Maintenance	Evidence that the Contractor is following a program of preventative maintenance. Any repairs identified during the last inspection have been corrected, or corrections are currently underway. The inspector did not discover any defects to the systems or the building that have not been already reported by the Contractor to the Owner.
Emergency Repairs	Evidence exists in the records of the Contractor that accurately document the emergency repair requests that have been submitted to the contractor since the last reporting period, and the Contractor's records show that the Contractor abated the emergency within 24 hours after having received the request. The records document the timely reporting of the emergency to the Owner and record the measures being undertaken to correct . The emergency telephone numbers are clearly displayed in the common area of the building.

EXHIBIT F

WORKSHOP FOR PROSPECTIVE CONTRACTORS

JULY 8, 1994

Congratulations! You have just taken the first steps toward a successful career and financial independence as an independent businessman.

Introduction

A country's wealth is not only money. It is the things that money can buy. It is the things that citizens can use to earn, borrow, or produce money. The greatest wealth of a market economy is usually contained in its buildings, especially its homes. The industry that constructs and maintains a country's homes and other building, creates and conserves that country's largest source of private wealth. The owners of that wealth are willing to pay an efficient and successful contractor to maintain it. This is why in country's like America the construction, maintenance and remodeling business is one of its largest industries. America has over 500,000 construction companies with one or more employees. Another 250,000 contractors are self-employed: that is they work for themselves.

Whether a contractor builds and maintains many large apartment buildings or simply one or two, almost all began as very small businesses. Often they began as one or two people making repairs or building a single home.

A home is the largest and often the best investment most citizens ever make, and many investors buy buildings in order to receive the rental income. In both cases, the quality of the buildings and their maintenance represents many things--pride, a symbol of wealth, and financial security. Thus, the owners of buildings pay professionals to manage and maintain their investment. They usually pay this money to contractors like you.

Property managers act as a substitute for the owner. They usually collect rents, answer tenant complaints, operate the common facilities, pay the bill, etc. They also make contracts for maintenance with people like you who have the skills necessary to maintain and improve the investment that the owners of property have made.

Your job as an **independent maintenance contractor** is to provide quality repair and maintenance service at the lowest cost, so that the owner feels proud to call the building his/her home, is comfortable that the building is being properly maintained to protect his investment, and that the contract made with you is a good business decision for both parties.

As an independent businessperson, you are also interested in making money. If you provide quality work for reasonable prices, you will have a lot of customers and make money. As your business grows, your ability to make even more money will grow as well.

**It cannot be stressed too forcefully,
good hard work on your part is essential**

**if you want to survive as an independent
businessperson.**

Presently, few contractors are available to bid for work in Kazakhstan. As more people become private contractors, competition will increase. The two most important forces in competition are price and quality. The highest quality for the lowest price always wins. But offering high quality and a low price does not guarantee profits. Profit is the difference between your costs and the price you bid. Only by managing your business efficiently and by making your costs as low as possible, can you maintain a reasonable profit margin. The contractor who maintains the biggest difference between his revenues and his costs is the contractor who survives and grows. Competition usually means contractors must find a way not only to lower price, but to lower costs. This maintains a profit margin. If you keep your focus on providing good work for reasonable prices, you will succeed and your business will grow.

**Determining What Work Is
Right For You**

The key question is: what can I do better and at a lower price than someone else? When you become a contractor, establish yourself in a field of work you know. Most of us know a little about a lot of things, but we are only very good at a few tasks. If you take on more than you can handle and if you start by bidding for work with which you are not familiar, you will be slow, fall behind schedule, lose money and probably fail as a business person.

If the job you are interested in has some work items that you can do well, and some that you do not do well, or have no experience in, perhaps you can hire someone to work with you as an employee, or as a separate independent contractor who is under contract to you, not the owner. This contractor is called a **subcontractor**. If the job you are bidding on is very large and has many work areas, you may need to hire additional employees to do the work, or you may have to find one or more subcontractors to bid with you. Be honest with yourself. You will be most successful if you do what you know.

Estimating Contract Work

Your success as an independent contractor depends on how accurately you estimate what you will charge an owner. Estimate too low, you will lose money and eventually, will go out of business. If you estimate too high, you will not receive the contract award if another contractor offers to do the same work for a lower price.

There is no big mystery about contract estimating. If you are an organized person who can do detail paperwork, you have the basic skills needed to become a successful contract cost estimator. If you are not very organized, we are going to give you some helpful suggestions on how you can become better organized.

Please, I do not want to mislead you, there is no easy way to accurately estimate maintenance contract costs. It is hard work and requires a lot of attention to details. In America, we call our maintenance or construction contract cost estimates, **detailed cost estimates**. The key word is detailed. Detailed cost estimating is a process where you break down the project into all of the separate components. To make a detailed cost estimate, you must breakdown the project into all of its separate elements. To know what the separate elements are, you must read the plans and specifications for the project very carefully. you should find them in the bid package given to potential bidders.

As you read the documents write down every task required on paper. We have provided a form for your use. In America we call this form the **take off sheet**, because you take information from the plans and

specifications and transfer the data onto your form for tabulation. This process you can't avoid. It has to be done very carefully. Your success and profit as an independent contractor will depend upon how accurately you record each requirement of the plans and specifications on the take off sheet.

When you have completed your take off sheet you will be able to accurately estimate your labor, material and equipment costs for each work component.

Getting Ready To Bid

Major contracts have detailed plans and specifications that outline the work that the independent contractor is being asked to perform. These items are contained in the **bidders packet**, the first, and one of the most important pieces of paper you will read in preparing to bid on the project. When you pick-up your bid package you will be informed of a meeting whereby the owner or his agent will go over the bid documents and answer questions about the project. This meeting is called the **pre-bid conference** and is your opportunity to ask your questions and make certain you understand the material well enough to complete your bid. In an effort to be fair to all, questions raised after the pre-bid conference will be answered in writing, copies of which will be provided to all the people who attended and registered at the pre-bid conference.

After the pre-bid conference a tour of the project site will be conducted by the owner or his agent. Each contractor is encouraged to participate on the tour. In order to develop an accurate bid, you will have to become familiar with the buildings, their location and the condition of the areas you are bidding on. By visiting the site as a group, each contractor benefits by hearing the questions that may be raised by other bidders and the answers that are provided by the owner or his agent. Individual site visits are not encouraged. The apartments are occupied and having contractors walking about the quarter may be disturbing to the residents.

**Having read the bidders packet,
attended the pre-bid conference and
visited the site, you are now ready to begin
preparing your estimate of cost.**

Organizing Yourself First

The more organized you and your workspace are, the quicker you can prepare an accurate bid. A cluttered workspace will slow you down, and may cause you to miss the bid submission deadline. Clutter and a lack of personal organization may cause you to forget to cost an item. This could be disastrous. Once you are awarded a contract, you must perform the work for the price you quoted. If you make mistakes like forgetting to cost an item, you will not stay in business for very long.

You should begin by getting a mental picture of the project. Try to remember the conditions as you saw them when you visited the project.

If the bid package contains plans, display them at your workspace, and refer to them constantly. Begin by carefully reading the **specifications**. The specifications tell in detail exactly what you are expected to do. The first specification may require that you wash the stairs once a week. Once you have read the specification, deal with it. Don't jump around from place to place. This will only confuse you and may cause you to forget something.

Preparing The Bid Take-Off Sheet

As soon as you read the specification in the **Scope of Work** asking you to wash the stairways, you now have to decide on how you will respond to that specification. Let us assume you decide that you will wash each stairway once a week. You then enter that work item on your take-off sheet.

Your entry may read something like this:

Under **Item or Description** on the bid take-off sheet enter **Wash Stairways**.

1. Under the column headed frequency, **Freq**, enter 22, for you have decided to wash the stairs **weekly**, and there are 22 weeks in the contract term. (August 1-December 31)

2. Under the category headed **Material**, enter the cost of any supplies you will have to purchase in order to wash the stairs. Cleaning solvent would be a material cost. Materials are supplies you need for this specific job and are items that are installed and stay at the job site (concrete for example), or items that are used up in performing the work. In our example, cleaning solvent is used. The amount of cleaning solvent that you will actually use when you wash the stairs one time may not cost a lot of money, but whatever the amount is, be certain to write the amount in the column headed **Unit Tenge**.

3. In the next column headed **Extended**, **EXT T**, Multiply the amount of tenge you entered in the box, Unit Tenge times the number you wrote in Frequency **Freq**. That small amount of tenge has now grown by 22 times. This is how costs add up, and it is attention to this detail that will make you money and help you become a successful contractor, or, if ignored, cause you to lose money and go out of business.

We now know how much we have to bid for materials to wash the stairs once a week for the term of the contract. We now need to calculate the cost of the person who is going to do the actual washing of the stairs.

Let us assume you have decided that one person will be assigned to wash one staircase in a given building within the project. Based on your experience you will have to estimate how much time it will take for this person to wash the stairs, start to finish, one time. Let us say you estimate two hours. Enter the number two under the category **Man-hours, MH/Unit**. Remember, this is the amount of time it will take one person to wash down one staircase. Your bid is for five months, or 22 weeks, so again you would multiply the number of hours you calculated in box MH/Unit times 22 in order to determine the amount of hours one person will work a year in washing one staircase. In our example, this is 44 hours.

Before we go on, you will have to determine how much you will pay the person who you will hire to wash down the stairs. This calculation will have to be made for each employee you hire. You may decide to pay a different rate for the person who paints the walls than you pay for the person who washes down the stairs. Determine this for all your employees and write it down in your workbook. If you keep good records like this, you will only have to do this calculation of each employee once. All our calculations are based on hourly rates. If you pay by the month, you will have to translate your monthly rate into an hourly rate in order to know how much the stair washing project will cost you, so you will know how much to charge the owner.

Once you have determined the hourly rate you multiply the hourly rate times the number of man-hours per unit that you estimated in MH/Unit. You are probably ahead of me at this time. Yes, you have to multiply the number you calculated for box MH/Unit by 22. Enter this number into the box marked **MH/EXT**.

We now know the cost of our materials and the cost of the labor to wash down one staircase for one year. Now you have to ask yourself if there is any equipment that you will need in order to wash down the staircase. Of course you need pails brushes and mops. This may seem insignificant, but when you use this equipment for an extended period of time scrubbing concrete, equipment will wear out, and it is you who will have to pay for it. Normally equipment as described herein is included as **overhead**, however, we have included it in our training materials to help you understand what your true costs are in performing a seemingly simple task such as washing a stairway.

Determine a price estimate for how much equipment you will use in washing down this staircase for the term of the contract, and enter this number in the box **Equipment EXT**. Now you know everything you need to know to cost out the washing down of one staircase for the term of the contract.

Careful, you are not done yet. You have to check the plans and specifications carefully and determine how many staircases there are in the project that you are responsible to maintain under the contract. If your review reveals that there are fifty staircases, enter 50 in the Units column. You must then multiply your calculations for five months of supplies, labor and equipment times the number of staircases involved, 50 in our example. Enter that product in the column farthest to the right on the form. Remember the angels are in the details. If you are careful, and organized you will not miss a step or a cost. This will not only make money for you it will save you money.

This is hard work and time consuming, but there are no short cuts. As you become more experienced in bidding you will find that you can refer to your previous bids for information you have already calculated, but there is no escaping the hard work and attention to detail.

Now that you have an understanding of the process, it is up to you to read the specifications and review the plans carefully to make certain that you do not forget anything. A simple but effective way to help you make certain that you do not forget anything is to use a colored marker and each time you finish cost out a specification in the Scope of Work you check the item off the Scope of Work document. The same is true in reviewing the plans. Each time you verify a number or unit on the plans such as the counting of the staircases, mark the plans so that you know you have properly counted the stairways in a building. If, when you

finish your bid calculations you have a specification or a component on the plan that does not have a colored check mark you know you probably forgot to include the item in your bid. Remember, each item forgotten is money out of your pocket.

Use the technique that you have learned to go throughout the bid package plans and specifications and each time you encounter a task that you are being asked to do, such as washing the stairs in our previous example, write that description down on the bid take off sheet until you have accounted for every task you are being asked to perform. It's as simple as that. If there are 600 tasks described in the specifications and plans, follow the process for each one and you will have a prepared an accurate bid.

One more tip to help you. Contract specifications do not always provide all the detail you need to accurately determine the cost. In our stairway washing example, the specifications simply required that you bid on washing the stairways. The plans only told you how many stairways there are in the project. It was up to you to go through the process of washing the stairways in detail in your mind to make certain you bid the true costs. You also had to decide on how often you will wash the stairways. Sometimes the bid documents include a task with which you are not familiar. It is important that you understand the work set forth in the bid documents. You do not have to know how to do each work item yourself, but you should be able to accurately estimate the cost of materials, the equipment that you will need and a good estimate as to how many man-hours will be required to perform the task. For example, electrical system maintenance.

Additional or Specialized Work

The owner may request that you perform a maintenance task on the electrical system, so as to maintain a safe operation condition at all times. You may be comfortable in doing the replacement of light bulb and lighting fixtures, but you and your existing employees may lack the experience and skill needed to do the technical work in maintaining the electrical system in a safe operating condition. You have three choices:

First, you could try to hire a person who has the electrical skills necessary to keep the electrical system in good operating condition. In order to do this you would have to be sure that there is sufficient work to maintain a full-time employee and the necessary equipment and tools needed to maintain the system.

Your second choice is to try and find an expert that you could contract with who would help you fulfill the request of the owner. The person you contract with is called a **subcontractor**.

The third choice, and the least acceptable choice, is to admit that you cannot meet special requests, or an element of the Scope of Work and decide not to bid.

Please be honest with yourself. Do not just assume that you can perform tasks for which you have no experience, and do not take chances assuming that if you are successful and are awarded the bid that you will be able to locate the expertise that you need at that time. When in doubt, do not bid.

Subcontractors

Since we are just beginning to develop an independent contracting industry in Kazakhstan, you may have some difficulty in locating subcontractors. However, as time goes by, more and more contractors and specialty contractors will come into being, making subcontractors more readily available, and of course, giving you more competition.

If you have not worked with a subcontractor before, you should try to visit a work site where he and his crew are working. This will give you a good idea about the quality of the workmanship he will provide. Be certain to talk to the job superintendent. He will be able to tell you if the subcontractor is a good choice. Remember, the general contractor may hire a subcontractor simply because the subcontractor will work cheaply. However, it is the job supervisor who has to keep the project on schedule and deliver the quality the owner is expecting.

After you have been in business for a while, you will establish a file of contractors that have done work for you in the past. Keeping accurate data on their work performance and rates of compensation will help you produce a cost estimate quickly in the future.

When you are going to look a subcontractor to hire to help you with your project, you perform the same tasks that the owner is asking you to perform in inviting you to bid. This requires that you provide the subcontractor with a written request for a bid. Be certain to include the specification and the portion of the drawings that may apply to the subcontractor work. It is a good idea to tell the subcontractor exactly what work for which you are asking him to provide you with a bid. Be certain that you and the subcontractor understand when the work will begin and when it is expected to be completed.

Re-checking Your Calculations

Now that you have listed all the work items and the costs that you have computed, it is time to recheck your work to make certain that you did not forget something.

1. Recheck the Scope of Work document to make certain you have included all the work items requested. Remember to look for all the colored check-off marks. Non-colored specifications probably means you forgot something.
2. Recheck the plans to make certain you have included all the work items requested. Look for the colored marks. If you did not color in a building feature, you may have forgotten to include the item.
3. Recheck the bids you received from your subcontractors. Verify that you accurately transferred their bid quote onto your take-off sheet.

Total Your Costs

Now that you have satisfied yourself that you have not missed something, add all the costs in the **Total Cost** column. As a new businessperson, you will not know if the total cost you have calculated is realistic. As you become more experienced you will build a file of jobs that you priced out and you can compare the costs of the new bid against the records you have. Since we are specifically involved with the maintenance of apartments, you will, over time, be able to translate

your total cost to a cost per apartment, or to a square meter cost. This will be an important indicator as to how accurate your bid is. The owner will also be interested in determining the cost per apartment unit or per square meter. Now that you are certain that you have included enough money to pay your employees, your materials and equipment suppliers, and your subcontractors, it is now time to pay yourself for all your hard work.

Calculating The Profit

Overhead and profit are the last calculations that you will make before completing your bid. Because they are the last step, many contractors forget to include them. When they forget, they are eliminating the very reason they are independent contractor, that being the ability to make money working for yourself. If you forget to include overhead and profit you will be working for everybody else, employees, suppliers, sub-contractors, but not for yourself. If you use the **Bid Summary** form, you will not forget to include overhead and profit.

Computing the profit is not difficult. First of all you should determine what level of profit are you hoping to earn. For our example let us assume that you would like to work with a profit margin of 15 percent. If your total cost estimated for the job is 1,250,000 tenge, then in order to have a 15 percent profit margin you multiply 1,250,000 by 1.18 percent:

$$1,250,000 \times 1.18 = 1,475,000 \text{ tenge}$$

Check Everything One More Time

This final check is very important. The government and the owners are taking special measures to assure that the bidding process is fair honest and accurate. The expectations of the government and the owners are set forth in the bidders packet. If you have submitted everything exactly as it has been requested than you bid will be classified as **responsive**. If you forget to do something, or intentionally leave something out because you did not think it was important, then the government and the owners in reviewing your bid proposal will disregard your bid as **non-responsive**. This is the only way we can protect the owners interest and be certain that they are awarding the contract to a reliable business in order to get the highest quality of work for the lowest price.